



Daily Report—

LAST ISSUE

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LAST ISSUE

China

FBIS-CHI-96-136

Wednesday

17 July 1996

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Daily Report

China

FBIS-CHI-96-138

CONTENTS

17 July 1996

NOTICE: An * indicates material not disseminated in electronic form.

INTERNATIONAL AFFAIRS

General

PRC: Spokesman on Deng, Hun Sen, Xinjiang [ZHONGGUO XINWEN SHE]	1
PRC: Spokesman on Australia Canceling Preferential Loans [ZHONGGUO XINWEN SHE]	1
PRC: FM Spokesman Urges Foreign Reporters To Learn Chinese [Hong Kong TA KUNG PAO 17 Jul]	1
PRC: Column Rejects U.S. Senate Resolution on Hong Kong [Hong Kong WEN WEI PO 4 Jul]	2
PRC: Beijing To Continue Developing Economic Ties With Cuba [XINHUA]	2
PRC: Symposium Focuses on Global Sustainable Development [XINHUA]	3

United States & Canada

PRC: Tianjin Holds Emergency Meeting on Radioactive Scrap Steel [TIANJIN RIBAO 2 Jul]	3
PRC: High-Level Managers Will Train in U.S. [XINHUA]	4

East Europe

PRC: Qiao Shi Meets Bulgarian Parliamentary Leaders [XINHUA]	4
PRC: Slovenia Official Interviewed on Ties With Beijing [XINHUA]	5

Latin America & Caribbean

PRC: Sanctions Against Cuba Said Infuriating Neighboring States [RENMIN RIBAO 27 May]	5
PRC: Envoy to UN Visits Haiti [XINHUA]	6

NATIONAL AFFAIRS

Political & Social

PRC: Deng's Son Criticizes Beijing's 'Current Policies' [AFP]	7
PRC: Article Reviews Deng's Theory of Socialism [RENMIN RIBAO 21 Jun]	7
PRC: Jiang Zemin Stresses Achieving Sustainable Development [CHINA DAILY 17 Jul]	11
PRC: Jiang Praises Development of Publication Work in Ningxia [XINHUA]	12
PRC: Jiang Zemin Visits Publication Achievements Show [XINHUA]	13
PRC: Li Peng Urges Governments At All Levels To Curb Pollution [CHINA DAILY 16 Jul]	13
PRC: Article on Leadership Focus on Party Building [RENMIN RIBAO 23 Jun]	14
PRC: State Councillor Peng Peiyun Addresses HIV/AIDS Campaign [XINHUA]	19
PRC: Most Workers Care About Income, Advanced Studies [XINHUA]	19
PRC: High Tuitions on Pretext of Foreign-Hired Experts Banned [XINHUA]	20
PRC: CPC Anniversary Roundup [YUNNAN RIBAO, etc.]	20
PRC: Army Paper Reviews Jiang's 1 Jul Speech/Part 1 [JIEFANGJUN BAO 25 Jun]	24
PRC: Army Paper Reviews Jiang's 1 Jul Speech/Part 2 [JIEFANGJUN BAO 27 Jun]	25
PRC: Li Peng Signs Decree on Promulgating Air Security Rules [XINHUA]	26
PRC: Tibet TV Shows Rally Pronouncing Death Verdicts on Convicts [Lhasa TV]	27
PRC: Tibet Sentences 4 to Death, 17 to Various Prison Terms [Lhasa Radio]	27
PRC: Papers Report 25 Executions in Ongoing Anti-Crime Drive [AFP]	27

PRC: Crime and Punishment in PRC 26 Jun-15 Jul [FUJIAN RIBAO 26 Jun]	28
PRC: Beijing Extends 'Strike Hard' Campaign Due to Poor Results [Hong Kong SING TAO JIH PAO 17 Jul]	30
*PRC: Impacts of Market Economy Upon Marriage Attitudes [SHEHUI May]	31

Military & Public Security

PRC: Sense of Strategy Stressed for Commanders [JIEFANGJUN BAO 28 May]	33
PRC: Military Commission To Reduce Army by 500,000 Troops [Hong Kong MING PAO 17 Jul]	34
PRC: Commentary Urges Building Strong Army Through Technology [JIEFANGJUN BAO 21 Jun]	36
PRC: PLA Officers Make Historic First Journey to Hong Kong [Hong Kong SOUTH CHINA MORNING POST 16 Jul]	37
PRC: Paper Describes Improvements to Army's Logistical Abilities [JIEFANGJUN BAO 20 Jun]	37
PRC: Circular on Army-People Unity, Support Issued for Army Day [XINHUA]	38
PRC: Heilongjiang Secretary on Armed Police Work [HEILONGJIANG RIBAO 29 Jun]	39
PRC: Police Urged To Learn From Jinan Traffic Police [XINHUA]	40
PRC: State Uncovers 1,000 Commercial Crime Cases in 6 Months [ZHONGGUO XINWEN SHE]	41
PRC: Xinjiang Holds Public Security Bureau Chief Meeting [Urumqi TV]	41
PRC: Xinjiang Strengthens 'Strike-Hard' Anticrime Campaign [Urumqi TV]	41
PRC: Big 'Ice' Case Cracked in Fujian [XINHUA]	42

ECONOMIC AFFAIRS

General

PRC: Minister: State To Strictly Control Second-Half Expenditure [CHINA DAILY 17 Jul]	43
PRC: Li Tieying on Enlivening Small Enterprises [LIAOWANG 20 May]	43
PRC: Commentator on Pushing State Enterprise Reform [RENMIN RIBAO 4 Jul]	48
*PRC: Commentator on Financial Laws [JINRONG SHIBAO 6 Mar]	50
*PRC: Commentator on Financial Reform [JINRONG SHIBAO 2 May]	51
*PRC: Research Group Discusses New Economic Growth Pattern [ZHONGGUO GUOQING GUOLI Mar]	53
*PRC: Economist Liu Guoguang Comments on System Reform, Growth Pattern [JINRONG SHIBAO 14 Apr]	56
PRC: Trade Minister Cites Progress in Enterprise Reform [Hong Kong CHING CHI TAO PAO 25 Mar]	59
*PRC: Analysis of Economy, Investment in First Quarter [JINGJI CANKAO BAO 5 May]	62

Finance & Banking

PRC: Settlements in Foreign Currency Banned [XINHUA]	63
PRC: Treasury Bonds Make Dazzling Debut [Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 13 Jul]	63
*PRC: RMB Exchange Issues Discussed [GUANLIU SHIJIE 24 Mar]	64
*PRC: Theoretical Discussion on China's Capital Market [CAIMAO JINGJI Apr]	69
*PRC: Residents Savings Deposits Reach Record High [Hong Kong KUANG-CHIAO CHING No 283]	79
*PRC: Industrial, Commercial Tax Revenue Increased Significantly in 1995 [ZHONGGUO SHUIWU BAO 31 Jan]	80
PRC: Bank Governor on Reform, Development of State Enterprises [RENMIN RIBAO 8 Jul]	81

PRC MEDIA ON TAIWAN AFFAIRS

PRC: Time Not Ripe for Resolving Issue of Chiangs' Remains [ZHONGGUO XINWEN SHE]	83
--	----

PRC: Seminar on Cross-Strait Relations Opens in Beijing [XINHUA]	83
PRC: Over 100 Scholars Attend Fifth Seminar on PRC-Taiwan Ties [CHINA DAILY 17 Jul]	83
PRC: Taiwanese Man Given Death Sentence for Money Fraud [XINHUA]	84
PRC: Taiwan Minorities Research Association Founded [CHINA DAILY 11 Jul]	84

TAIWAN

Taiwan: Envoy's Remarks Clarify U.S. Role in Cross-Strait Ties [Taipei CHUNG-KUO SHIH-PAO 13 Jul]	85
Taiwan: Officials Discuss Cancellation of 'Lake-Wang' Meeting [Taipei LIEN-HO PAO 12 Jul]	85
Taiwan: Aerospace Industry To Cooperate With Foreign Plane Makers [AFP]	85
Taiwan: Negotiator Says Telecom Talks With U.S. Proceed 'Smoothly' [Taipei Radio]	86
Taiwan: Diplomatic Allies Continue Support of Taipei's UN Bid [Taiwan Central News Agency WWW]	86
Taiwan: Official Urges Mainland To Resume Cross-Strait Talks [Taipei Radio]	87
Taiwan: PRC Study Report Says Cross-Strait Impasse Will Continue [Taipei LIEN-HO PAO 2 Jul]	88
Taiwan: Defense Official Discusses South China Sea Exercise [Taipei LIEN-HO PAO 12 Jul]	88
Taiwan: Government Considering Allowing Resident PRC Journalists [Taiwan Central News Agency WWW]	89
Taiwan: Mainland Trade Delegation Visits Kaohsiung Harbor [Taiwan Central News Agency WWW]	89
Taiwan: HK Paper Says Beijing Revising Taiwan Policy [Hong Kong HSIN PAO 5 Jul]	89
Taiwan: APEC Members Urged To Support Taipei's WTO Bid [Taiwan Central News Agency WWW]	91
Taiwan: Central Bank Reports Second Largest Foreign Reserves [Taiwan Central News Agency WWW]	92
Taiwan: Taipei To Strengthen Security Cooperation With ASEAN [Taiwan Central News Agency WWW]	92
Taiwan: Ulaanbaatar-Taipei Ties To Remain Unchanged [Taiwan Central News Agency WWW]	92
Taiwan: Chief of Staff Views Military Streamlining [Taipei CHUNG-YANG JIH-PAO 11 Jul]	93
Taiwan: Navy To Build Advanced Mine-Sweepers [Taiwan Central News Agency WWW]	94

HONG KONG & MACAO**Hong Kong**

Hong Kong: Civil Servants' Confidence Unaffected by Leung Resignation [Hong Kong WEN WEI PO 11 Jul]	95
Hong Kong: Legal Panel's 4th Session on Hong Kong Residents Identity [XINHUA]	95
Hong Kong: Authority To Interpret, Amend Basic Law Detailed [XINHUA]	95
Hong Kong: Editorial on Lack of Confidence in Lo's Judgment [Hong Kong SOUTH CHINA MORNING POST 16 Jul]	96
Hong Kong: Further on History of Sino-British Talks on Hong Kong [CHINA DAILY 11 Jul]	97
Hong Kong: Commander of Post-Turnover Army Unit To Visit Hong Kong [XINHUA]	98
Hong Kong: Future PLA Garrison Chief Makes First Visit to Territory [Hong Kong SOUTH CHINA MORNING POST 17 Jul]	98
Hong Kong: Editorial on Significance of PLA General's Visit [Hong Kong HONGKONG STANDARD 17 Jul]	99
Hong Kong: Future PLA Garrison To Have Media 'Ban List' [Hong Kong HONGKONG STANDARD 17 Jul]	99
Hong Kong: Statistics Show Trade With China Fell by 27.5 Percent [Hong Kong SOUTH CHINA SUNDAY MORNING POST (MONEY) 14 Jul]	100

General

PRC: Spokesman on Deng, Hun Sen, Xinjiang

OW1607145396 Beijing ZHONGGUO XINWEN SHE
in Chinese 1312 GMT 16 Jul 96

[FBIS Translated Text] Beijing, 16 Jul (ZXS) — In answering a reporter's question about Deng Xiaoping's health this afternoon, Chinese Foreign Ministry spokesman Cui Tiansai said: Deng Xiaoping is in a good health condition. If there are any rumors on his health, I believe they are entirely unfounded. I hope there will not be any such rumors that disrupt his life after retirement.

At the Foreign Ministry's weekly news conference, a reporter asked about Cambodian Second Prime Minister Hun Sen's visit to China. Cui Tiansai said Hun Sen will visit China at the Chinese Government's invitation. During the visit, he will exchange views with Chinese leaders on developing Sino-Cambodian friendly and cooperative relations and on issues of common interest.

Answering a question on Xinjiang, the spokesman said: At present, Xinjiang enjoys social stability, ethnic unity, and economic development. A handful of people disrupt [rao luan 2371 0052] social order and create disturbances [zhi zao shi duan 0455 6644 0057 4551], but they are very unpopular there. He also pointed out: The Chinese Government is consistently and resolutely opposed to splittist activities against China undertaken by a handful of foreigners and national separatists. The leaders of countries concerned have repeatedly indicated clearly their support of the Chinese Government's position and their opposition to ethnic splittist activities.

PRC: Spokesman on Australia Canceling Preferential Loans

OW1607144196 Beijing ZHONGGUO XINWEN SHE
in Chinese 1311 GMT 16 Jul 96

[FBIS Translated Text] Beijing, 16 Jul (ZXS) — In answering reporters' questions this afternoon, Chinese Foreign Ministry spokesman Cui Tiansai urged Australia to abide by the agreement reached between the Chinese and Australian Governments and properly solve the practical problem facing the two countries concerning loans and aid.

The practical problem is the decision recently made by Australia to cancel its preferential loans for China and to suspend a part of its aid programs for China.

Cui Tiansai said: Over the last few years, Australia's preferential loans for China have facilitated economic and trade cooperation between the two countries, and this cooperation is mutually beneficial, bringing notice-

able economic results to both sides. Australia's recent decision to cancel its preferential loans for China and to suspend a part of its aid programs for China has affected the aid programs for China, causing quite serious economic losses to China.

The spokesman made these remarks at a regular news briefing held by the Foreign Ministry when a reporter asked him to comment on the matter.

PRC: FM Spokesman Urges Foreign Reporters To Learn Chinese

HK1707062196 Hong Kong TA KUNG PAO
in Chinese 17 Jul 96 p 1

[*"Special Dispatch"* From Beijing on 16 July: "Cui Tiansai Advises Foreign Reporters to Study Chinese and Understand Eastern Civilization"]

[PTS Translated Text for FBIS] Beijing, 16 Jul (TA KUNG PAO) — About a half a month ago, a spokesman of the Foreign Ministry announced: English translation will no longer be provided at the Foreign Ministry news briefings as of 1 September.

Therefore, Beijing-based foreign reporters had different responses to the decision. Some are studying Chinese very hard, and some suspect China's policy of reform and opening up has changed.

Today, when a Western reporter queried the decision by linking it with the policy of opening up, Cui Tiansai replied: "English translation will no longer be provided as of 1 September. This has fully conformed with China's policy of opening up, because opening up has enabled not only China to understand the world, but also the world to understand China. In so doing, Chinese will be popularized in the world."

He told reporters: "Since you are living in Beijing, you will definitely find out that the Chinese are enthusiastic about learning good foreign things. However, are people in various countries in the world, and advanced countries in particular, also enthusiastic in learning things of other countries? For example, should those people who understand Western civilization also understand Eastern civilization? Should they also understand the great Chinese philosophers Confucius, Lao Zi and Zhuang Zi, who were born more than 2,000 years ago? Should they not also understand the great Chinese poets Qu Yuan, Li Bai, and Du Fu?"

While answering reporters' questions, Cui Tiansai urged Australia to abide by the agreements reached by the Chinese and Australian governments and properly solve problems arising from loans and aid.

These practical problems arose as a result of a decision recently made by the Australian side to suspend loans on favorable terms for China, and temporarily stop portions of its aid programs for the country.

Cui Tiankai added: Australian loans on favorable terms for China have promoted economic and trade cooperation between the two countries in recent years. Such cooperation is mutually beneficial, and has brought marked economic efficiency to both sides. However, Australia has recently made a decision on suspending its loans with favorable terms for China, and temporarily stopping parts of its aid programs for us. This has adversely affected foreign aid programs for the Chinese side, and brought considerable economic losses to us.

PRC: Column Rejects U.S. Senate Resolution on Hong Kong

HK1707005096 Hong Kong WEN WEI PO in Chinese 4 Jul 96 p AII

[**"Seeking Truth" column by Li Tzu-chen (7812 1311 3791): "An Absurd Resolution"**]

[PTS Translated Text for FBIS] Some people in the U.S. Congress are always trying by hook or by crook to meddle in the affairs of other countries, and they are not even letting Hong Kong off. We think our readers can see this for themselves and deepen their understanding of this "addiction" of certain U.S. congressmen by studying the resolution adopted by U.S. Senate a few days ago on the question of Hong Kong.

The resolution, which was proposed by Jesse Helms, chairman of the Senate Foreign Affairs Committee, and submitted in the name of the committee to the Senate for adoption, blamed the Chinese Government for establishing a provisional legislature in Hong Kong and urged the Chinese Government to allow Hong Kong's current Legislative Council to extend beyond 1997 and fulfill its four-year term. The resolution said that if the Chinese Government sets up an appointed legislature, it would constitute a violation of the Joint Declaration.

It should be noted that the resolution adopted by the U.S. Senate constitutes naked interference in Hong Kong affairs. It is also groundless for the resolution to attack the Chinese Government. Take the establishment of the provisional legislature, for example. The move has legal grounds and is accepted and supported by an increasing number of Hong Kong residents. A provisional legislature will be established to resolve the problem of a legal vacuum during the initial establishment of the Hong Kong Special Administrative Region. There is no other option that can manifest the one country, two systems formula and the spirit of Hong

Kong people ruling Hong Kong with a high degree of autonomy. It is very irresponsible behavior for the U.S. Senate to hastily adopt this resolution, improperly comment on Hong Kong's transitional affairs, and make unwarranted charges against the Chinese Government without acquiring a true understanding of Hong Kong affairs.

The United States has no right to meddle in Hong Kong affairs, and the Senate resolution is ridiculous. First, under whatever circumstances, it is out of the question for Hong Kong's last Legislative Council to fulfill its four-year term. Second, although the provisional legislature is not elected, members of the legislature will not be appointed by the Chinese side. Without a clear understanding of these basic concepts, the U.S. Senate will be mocked by the world for intimidating others!

The resolution adopted by the U.S. Senate is by no means accidental. The United States had long ago cast a greedy eye on Hong Kong—the pearl of the East. As early as 1992, the United States drafted the "U.S. Hong Kong Policy Act," which was a prelude to its interference in Hong Kong affairs. In April this year, some members of the U.S. Congress formed the "Hong Kong Caucus," openly asserting that this body will play an important role in Hong Kong's future. In May, the U.S. State Department submitted a report to the Congress entitled "On U.S.-Hong Kong Relations," which wantonly criticized the decision made by the Preparatory Committee for the Hong Kong Special Administrative Region on establishing a provisional legislature. Coming one after the other, all these moves are preparations for meddling in Hong Kong affairs.

Although the Senate resolution has no binding force on the U.S. Government, its role of misleading the U.S. public and world media is obvious. As a matter of fact, it is another signal of a U.S. attempt to take the high road in interfering in Hong Kong affairs, which fully betrays its wild ambition.

PRC: Beijing To Continue Developing Economic Ties With Cuba

OW1607113896 Beijing XINHUA Domestic Service in Chinese 0954 GMT 26 Jul 96

[FBIS Translated Text] Beijing, 16 Jul (XINHUA) — Chinese Foreign Ministry spokesman Cui Tiankai said today that China opposes the "Helms-Burton Act," which the U.S. Government is preparing to enforce, and will continue to develop its economic and trade relations with Cuba on the basis of the principles of equality and mutual benefit and exchange of needed goods.

Answering a question at a news conference this afternoon, Cui Tiankai said: The U.S. move is in clear con-

17 July 1996

INTERNATIONAL AFFAIRS

3

travention of international law and the norms governing international relations. "Naturally, we stand opposed to this move."

He said: In the United Nations, the number of countries that voted in support of Cuba's opposition to the U.S. blockade draft resolution has increased year by year, and the figure came up to 117 in 1995. China has all along maintained that no country has the right to interfere in other countries' internal affairs, still less impose [qiang jia 1730 0502] its domestic laws upon other countries. The United States is now attempting to impose sanctions against the personnel and enterprises of a third country conducting normal trade with Cuba, and this has already come under the strong opposition from the international community, including the U.S. allies.

The spokesman pointed out: Facts have proved that the U.S. economic blockade against Cuba does no good to either country. China hopes that the Cuban-U.S. relations will be eased through dialogues held on an equal footing.

He said: "China has always been opposed to the practice of placing the domestic laws of a certain country above international law [ling jia yu guo ji fa zhi shang 0407 7468 0060 0948 7139 3127 0037 0006]. As China and Cuba are both sovereign states, we will continue to develop our economic and trade relations with Cuba on the basis of the principles of equality and mutual benefit and exchange of needed goods."

PRC: Symposium Focuses on Global Sustainable Development

*OW1607121696 Beijing XINHUA in English
1204 GMT 16 Jul 96*

[FBIS Transcribed Text] Beijing, July 16 (XINHUA)—The Third International Symposium on China's Historical Geography opened today in Beijing.

More than 120 scholars from Britain, the U.S., France, the Republic of Korea, the Philippines, Singapore and China attended the six-day event.

According to the sponsor, the focus of the symposium will be on the practical and theoretical application of historical geography in the study of global sustainable development.

"As a scientist who studies environmental change in the historical periods, I see good prospects for historical geography studies to play a more important role in such global issues as sustainable development," said Professor Han Guanghui, the director of the Center for Historical Geography of Beijing University.

Alan R. Baker, a professor from Cambridge University and the chief editor of "Historical Geography" magazine, said he was excited about the symposium.

"China has offered a great opportunity for scholars of historical geography worldwide to share their researches," he said.

The opening ceremony of the symposium was presided over by Hou Renzhi, an academician from the Chinese Academy of Sciences and a professor at Beijing University. Officials from the State Education Commission, the State Bureau of Cultural Relics, the State Fund of Sciences, the Chinese Society of Geography, the Chinese Academy of Social Sciences and the municipal government of Beijing also were present at today's event.

United States & Canada

PRC: Tianjin Holds Emergency Meeting on Radioactive Scrap Steel

*SK1607080596 Tianjin TIANJIN RIBAO in Chinese
2 Jul 96 p 2*

[By correspondents Sun Xianzhong (1327 2009 1813), Liu Xing (0491 2502), and Li Jingyin (26621 4842 6892); "Tianjin Port Promptly Organizes Investigation of Radioactive Pollution of Imported Scrap Iron and Steel"]

[FBIS Translated Text] The Tianjin Port of Entry Municipal Committee recently held an emergency meeting to come up with the following initial measures to handle the imported scrap iron and steel in the Tianjin Port which had been inspected by the Commodity Inspection Bureau and found to be seriously radioactive. First, the Environmental Protection Department should gather relevant inspection units to conduct thorough examination of this batch of scrap iron and steel and provide fair, reasonable, authoritative, and effective evidence. Second, supervised by public security departments, the batch of scrap iron and steel should be transferred and stored at the warehouse for radioactively polluted materials.

The radioactively polluted scrap iron and steel was found by the Tianjin Commodity Inspection Bureau when inspecting imported scrap metal. Upon receiving the report by the China Materials Recycling Corporation, the Tianjin Commodity Inspection Bureau examined a batch of scrap iron and steel imported by a corporation from the United States on 26 June. This batch of scrap iron and steel, which weighed 78.336 tonnes and was contained in seven non-standardized containers, was the scrap from waste equipment transported from the U.S. port of Houston to the Tianjin New Port. Using equipment to detect radioactivity on the scrap iron

and steel, commodity inspection personnel discovered that the gamma radiation of the materials in the third container was abnormal, being as high as 3000 micro R/h [microroentgen per hour], 30 times higher than the state-allowed level (state allowed level is not exceeding 100 mu R/h). This violated China's relevant regulations on environmental protection and posed a serious threat to the ecological environment and personal safety. The Commodity Inspection Bureau immediately issued a paper disqualifying this batch of goods for not being up to environmental protection standards, and submitted reports to customs and environmental protection departments. This drew great attention from relevant port departments. The municipal committee for the port of entry has established a leading group for Tianjin Port to urgently handle the radioactively polluted scrap iron and steel. Further investigation will be conducted on this case. (endall) 2 jul cy/yung/stephenson/PCY34167.02/RS631607.13/cb

PRC: High-Level Managers Will Train in U.S.

*OW1707101396 Beijing XINHUA in English
0915 GMT 17 Jul 96*

[FBIS Transcribed Text] Tianjin, July 17 (XINHUA) — Twenty-four Chinese students will leave for New York tomorrow to attend a 15-month business administration training course.

They are the first group of students selected from nearly 100 candidates by a Sino-US MBA (Master of Business Administration) training program, conducted by east China's Zhejiang University and the Rensselaer Polytechnic Institute of the United States.

"High-level managers with a Chinese background, who also have received training in the United States, are badly needed as more and more US companies begin to have trade or investment relations with China," said Xu Shubai, director of the Sino-US MBA Training Program.

Those trained people are not only needed by US companies, but by Chinese companies that do business with US companies, added Xu.

Xu, who is also a professor with the Institute, said the most distinguished aspect of the program was that students learn knowledge through bilateral exchanges, as they keep in touch with China while receiving US MBA training.

They will continue four months of study in China after the 15-month training in the United States.

Some of the students already obtained master's or doctor's degrees. They have all been involved in management for at least two years.

Those who pass the examination will get diplomas from both Zhejiang University and the Rensselaer Polytechnic Institute.

The training program, approved by the State Education Commission (SEC) last year, has caught the attention of both countries. Business giants from the United States, including IBM, GE and Boeing, expressed their willingness to offer financial support to the program, provide practice opportunities for the students, and even employ them.

When a lecture introducing the program was given in the Beijing-based People's University of China on June 17, more than 1,000 people crowded in for further information.

The 24 chosen students, almost without exception, have all been successful in their respective careers. Some of them are managers of China's big state-run companies, some are owners of big private businesses.

"We are different from others who have been to the United States for study," said Wang Hui, a senior manager from China International Trust and Investment Corporation (CITIC), explaining that she and the other 23 students will focus more on receiving systematic education of management in the States, and learning more about the culture, rather than the diploma itself.

"Our working experience at home has helped make clear what we are going to get out of our future study in the United States," Wang said. She has received her master's degree at home, and has been working with trade, investments and stock for several years.

Xu said the institute has never expected so much out of this training program before, but has become more confident about continuing the cooperation.

The Institute is working on cooperating with Nankai University in Tianjin, a neighboring municipality of Beijing, and with Tianjin Economic and Technology Development Zone. Once an agreement is reached, the Institute will start a training course for senior managers.

East Europe

PRC: Qiao Shi Meets Bulgarian Parliamentary Leaders

*OW1607150996 Beijing XINHUA in English
1418 GMT 16 Jul 96*

[FBIS Transcribed Text] Beijing, July 16 (XINHUA) — Qiao Shi, chairman of the Standing Committee of China's National People's Congress (NPC), said here today that expanding parliamentary exchanges and

cooperation between China and Bulgaria is significant in developing bilateral relations.

Meeting with Blagovest Sendov, chairman of the Bulgarian National Assembly, and his party at the Great Hall of the People here this evening, Qiao hailed the traditional friendly and cooperative ties between China and Bulgaria, saying that they have a sound foundation.

"China has always followed an independent foreign policy of peace, and has consistently deal with its relations with other countries, including Bulgaria, on the basis of the five principles of peaceful co-existence," Qiao pointed out.

Qiao said he believes Sino-Bulgarian trade ties, and friendly and co-operative relations in other fields can be developed more with joint efforts.

Sendov said that although his delegation members have different political views, they share a common desire to develop friendly relations between Bulgaria and China.

He said the Bulgarian government believes that China is inseparable, and that it has followed and will continue to follow the policy of "one China".

Wang Guangying, vice-chairman of NPC Standing Committee, held talks with Sendov and his party earlier this afternoon. They exchanged views on strengthening relations between the NPC and Bulgaria's National Assembly, and on other issues of common concern.

Sendov and his party are on an official visit to China at the invitation of the NPC Standing Committee.

PRC: Slovenia Official Interviewed on Ties With Beijing

*OW1707082496 Beijing XINHUA in English
0759 GMT 17 Jul 96*

[FBIS Transcribed Text] Beijing, July 17 (XINHUA) — A senior Slovenian Foreign Ministry official has expressed his satisfaction with the growth of Slovenia-China relations in the past four years, while calling for an equal two-way trade that will continue the political friendship and economic strength shared by the two countries.

The bilateral relations between Slovenia and China have been good and their cooperation fruitful over the entire four years they were diplomatically linked, said Ignac Golob, state secretary of the Slovenian Foreign Ministry, during an interview today.

Slovenia appreciated and valued China's past recognition of Slovenia's independence, and from then on the two countries have had "rather well-developed relations between the levels of politicians, parliamentarians and diplomacy," the secretary said.

Slovenia and China, both developing countries, have had no differences in fundamental issues, and both need domestic stability and economic development to benefit their people.

The two countries also share similar views in regard to international issues. "We not only want to have a good relationship with neighbors and get integrated with the European Union, but also keenly wish to develop relations with the South countries, China in particular," Golob said.

"In this world, China is so important as an international player that you cannot operate unless you have a good dialogue and good relationship with China," he added.

As for economic ties, the state secretary called for joint efforts to readdress the status quo of the two-way trade, which he said is conspicuously in favor of China. Slovenia has exported to Japan six times more than it has to China, and to Thailand three times more than to China.

This situation "is not in proportion to the general friendship between the two countries, nor to the economic strength of the two countries," he noted.

According to the Slovenian Embassy statistics, Slovenia's imports from China totalled 52 million U.S. dollars last year, as against the country's exports to China of 5 million U.S. dollars.

Slovenia has its own technological advantage and advanced equipment to meet China's needs, Golob said, citing agricultural technology and food-processing machinery for China's small and medium-sized enterprises.

With a political push from both sides, Golob expressed his belief that Slovenian-Chinese relations will continue to grow, and closer cooperation in international affairs will be registered.

Latin America & Caribbean

PRC: Sanctions Against Cuba Said Infuriating Neighboring States

*HK1707074796 Beijing RENMIN RIBAO in Chinese
27 May 96 p 6*

["Roundup" by Canada-based staff reporter Zou Dehao (6760 1795 3185) from Ottawa: "Sanctions Against Cuba Infuriate Close Neighboring States—Canada and Six Central American States Are Opposed to U.S. Extraterritoriality"]

[PTS Translated Text for FBIS] At the invitation of Canadian Prime Minister Chretien, the presidents of Nicaragua, Costa Rica, Salvador, Guatemala, and

Honduras, as well as the prime minister of Belize, visited Canada from 15 to 17 May and held talks with Canadian Prime Minister Chretien and Foreign Minister Axworthy. In the joint communique released after the talks, the leaders of the seven countries were firmly opposed to the Helms-Burton Act passed by the United States some time ago and were opposed to the United States "unilaterally implementing any measure that may affect a third country," pointing out that such violations of international practice run counter to the principle and provisions of free trade and stressing that developing economic and trade relations with another country is the basic right of a sovereign state.

The six Central American states have a population of more than 31 million and an area of more than 400,000 square km. Canada has a good relationship with the six Central American states and, in particular, has rapidly developed economic, trade, and tourism exchanges with them. According to statistics released by the Canadian Ministry of International Trade, total trade volume between Canada and the six states reached 511 million Canadian dollars in 1995. One of Prime Minister Chretien's objectives in heading an economic and trade delegation to Latin America in January last year was to expand Canada's influence in that region, develop economic and trade relations with these countries and, at the same time, win over more political allies. In the field of developing economic and trade relations with Latin American countries, relations between Canada and Cuba also have developed quite rapidly in recent years, with bilateral trade volume reaching \$420 million in 1995. Canada has become one of the countries with the biggest investment in Cuba, where more than 40 Canadian companies are operating.

In the views of observers here, the Central American states have always been regarded as the "backyard" of the United States and they have always identified themselves with the United States on major international issues. In Ottawa this time, however, the leaders of the six countries openly supported the Canadian Government's opposition to the U.S. bill to sanction Cuba. This is something that was practically unimaginable a few years ago. As Nicaraguan President Mrs. Chamorro puts it, every country has the right to formulate its own

laws and the seven countries may adopt different methods to deal with the U.S. bill sanctioning Cuba. Canadian Prime Minister Chretien said the fact that Canada has won the support of the six countries in opposing U.S. sanctions against Cuba will help exert more international pressure on the United States and force it to change or delay implementation of this bill.

According to observers here, it can be seen from the joint communique issued by the seven countries that handling relations with the United States is still an important component part of Canada's foreign policy and that when Canada has differences of view or finds it difficult to unilaterally resist the United States, it often seeks multilateral support internationally in order to pose a pressure on the United States and thus safeguard its own interests. This also shows that former U.S. allies will constantly adjust their foreign policies and find some ways out when their own interests are under threat. After the meeting, the leaders of the seven countries came to a conclusion: In the world today, "it is necessary to ensure that no country can apply extraterritoriality that may affect the sovereignty of other countries."

PRC: Envoy to UN Visits Haiti

*OWI707083796 Beijing XINHUA in English
0813 GMT 17 Jul 96*

[FBIS Transcribed Text] United Nations, July 16 (XINHUA) — Chinese Ambassador to the U.N. Qin Huasun ended his three-day visit to Haiti today, the first ever visit by a Chinese official to the Caribbean country.

Qin held talks with Haitian President Rene Preval, Prime Minister Rosny Smart and Foreign Minister Fritz Longchamp, exchanging views on normalizing bilateral relations between the two countries.

The Chinese ambassador briefed Haitian leaders on China's policy of reform and opening to the outside world, its independent and peaceful diplomatic policy, as well as China's principles and stance on the Taiwan issue. The Haitian leaders expressed understanding of the Chinese position.

China has no diplomatic relations with Haiti.

Political & Social

PRC: Deng's Son Criticizes Beijing's 'Current Policies'

OW1707112796 Hong Kong AFP in English
1105 GMT 17 Jul 96

[FBIS Transcribed Text] Hong Kong, July 17 (AFP) — The son of ailing Chinese leader Deng Xiaoping, has hit out at Beijing's current policies, which he said "wholly negate" his father's political line, according to a report Wednesday.

Deng Pufang, the crippled eldest son of the paramount Chinese leader, said in a speech to the Chinese Federation of the Disabled, that the legacy of the 1989 Tiananmen Square massacre in Beijing had besmirched the Deng family name.

"People everywhere opposed Deng Xiaoping," because they linked his wide-ranging economic reforms with rampant corruption, Deng was quoted by the FAR EASTERN ECONOMIC REVIEW as telling delegates.

The 1^o protest was caused by people at both political extremes, the "rightists" who wanted to completely "Westernize" and "leftists," for whom "ultra-egalitarianism was still deeply rooted," he said.

The present policies "wholly negate the Deng Xiaoping political line," he added.

Rumours on the failing health of Deng Xiaoping, who will be 92 next month, have run alongside rumours of the waning influence of his political stance.

On Tuesday, a Chinese Foreign Ministry spokesman said the rumours of ill-health were groundless.

Deng has not been seen in public since early 1994, when he looked frail.

The rumours continue to fly around the Chinese capital and in Hong Kong, with some saying Deng — who has long expressed a wish to travel to the territory after it returns to Chinese rule next July — will not last more than a few more months.

Deng Pufang's speech is a clear indication that his father's legacy is already under fire.

The patriarch's policies of rapid economic growth have recently been slowed down and a shifting of wealth from the wealthier coastal areas to poor inland areas.

In his 40-minute outburst, Deng Pufang described Communist Party chief Jiang Zemin — the elder Deng's heir apparent — as the "core" of the party.

PRC: Article Reviews Deng's Theory of Socialism

HK1707081796 Beijing RENMIN RIBAO in Chinese
21 Jun 96 pp 1, 3

["Theoretical Piece" from the "Commemorating the 75th Anniversary of the CPC's Founding" column by staff reporters Zhang Husheng (1728 5706 3932), Zheng Hongfan (6774 1347 5400), and Cui Shixin (1508 1102 9515): "Great Creation—An Account of the Brilliant Practice of Deng Xiaoping's Theory of Building Socialism with Chinese Characteristics"]

[PTS Translated Text for FBIS] Editor's note: On 1 July this year, the great CPC will have completed 75 years of brilliant history.

To mark this glorious day, starting today, this newspaper will carry a series of reports to vigorously publicize the self-building of the party and its historic achievements, to which the three-generation collective leadership of the CPC Central Committee with Mao Zedong, Deng Xiaoping, and Jiang Zemin as the cores have attached great importance; to spread vitality on every front of endeavor under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics since the Third Plenary Session of the 11th CPC Central Committee; and to promote new achievements and experience gained in the building of organizations, workstyle, and systems, in the cultivation of middle-aged and young cadres, and in other areas since the 14th CPC Congress, particularly the Fourth Plenary Session of the CPC Central Committee.

We hope that through this series of reports, readers will more ardently love our party and have greater confidence in undertakings under the party's leadership, thereby rallying more closely around the CPC Central Committee with Comrade Jiang Zemin as the core and striding into the 21st century under the direction of the Ninth Five-Year Plan for the National Economic and Social Development and the Long-Term Target for the Year 2010.

This series of reports are the Theoretical Piece: "Great Creation—An Account of the Brilliant Practice of Deng Xiaoping's Theory of Building Socialism with Chinese Characteristics"; the Practice Piece: "Historic Mission—An Account of the CPC Central Committee with Comrade Jiang Zemin as the Core Concentrating on the Party's Building"; the Organizational Piece: "A 'Cell's Vitality—An Account of Strengthening the Building of Grass-Roots Party Organizations in Rural Areas Across the Country"; the Party Workstyle Piece: "The Test of the Times—An Account of Building the Party's Workstyle and a Clean Government in the Period of Reform and Opening Up"; and the

Cadre Piece: "Hopes of Undertakings—An Account of Training and Selecting Middle-Aged and Young Cadres Throughout the Country." [End of editor's note]

Seventeen years ago, China, which just recovered from a 10-year disaster, welcomed a strong spring breeze.

Over the past 17 years, from the northern part of the country to islands in the South China Sea and from the western frontiers to the banks of the East China Sea, the strong spring breeze has swept all over the 9.6 million-square-km Divine Land, renewed the people's ideas and concepts, and eliminated poverty in China.

This spring breeze is Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics.

In the course of integrating Marxism with China's actual situation, the CPC has taken two historic leaps forward. The first leap was made during the new democratic revolution. Through repeated practice, the CPC led by Comrade Mao Zedong discovered a revolutionary road for China, founded Mao Zedong Thought, and established a socialist system in China. The second leap was taken following the Third Plenary Session of the 11th CPC Central Committee. On the basis of summing up both positive and negative experience and in the course of reform and opening up, the CPC led by Comrade Deng Xiaoping began to discover a road of building China and founded Deng Xiaoping's theory of building socialism with Chinese characteristics as a guide to the constant triumphant advancement of China's reform, opening up, and socialist modernization.

Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics is a product of the integration of the basic principle of Marxism-Leninism, contemporary China's actual situation, and the features of the times. It carries on and develops Mao Zedong Thought and is both a crystallization of collective wisdom of the entire party and people and the most precious spiritual wealth of the CPC and the Chinese people. It scientifically grasps the essence of socialism and has for the first time fairly systematically given tentative answers to a series of basic questions including how to build, consolidate, and develop socialism in a country like China, which is relatively backward both economically and culturally. It uses new ideas and concepts to carry forward, enrich, and develop Marxism-Leninism and Mao Zedong Thought, and it is contemporary China's Marxism.

(1) One night in the winter of 1978, 18 members of a production team in Xiaogang of Fengyang, Anhui Province, risked criticism and even imprisonment to secretly adopt "regulations" on "fixing farm output quotas for each household." This practice, which was

later called a "contract system with remuneration linked to output," not only put an end within one year to Xiaogang's history of eating "resold grain," but as soon as it was extended to the whole country, the system, like magic power, aroused the initiative of several billion peasants, thus basically resolving the food problem for 1.2 billion Chinese.

The emergency of Xiaogang indicates the beginning of the new practice and the rise of a brand-new theory.

In May that year, a national discussion on the criterion of truth emancipated people's minds from long-term imprisonment. At the end of that year, the Third Plenary Session of the 11th CPC Central Committee, which was of epoch-making significance, defined Comrade Deng Xiaoping's guiding principle of "emancipating the mind, using one's brains, seeking truth from facts, and uniting as one to look ahead."

The theory of building socialism with Chinese characteristics, which has rich connotations, was introduced after the principle of "emancipating the mind and seeking truth from facts" was proposed. This is definitely not a coincidence: "Emancipating the mind and seeking truth from facts" is the essence of Marxism-Leninism, Mao Zedong Thought, and Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics.

Comrade Deng Xiaoping pointed out: "If a party, a country, and a nation proceed from books in everything and with an ossified way of thinking and with superstitions, they cannot forge ahead. Once their vitality ends, the party and the state will perish." In the course of reform, opening up, and modernization, every major policy decision made by Comrade Deng Xiaoping at the crucial moment reflects that the principle of emancipating the mind and seeking truth from facts is an ideological line that integrates revolutionary courage and resourcefulness with scientific spirit. This correct ideological line shows that the world outlook and methodology of dialectical materialism and historical materialism are the living spirit of Deng Xiaoping's theory of building socialism with Chinese characteristics.

It is under this banner of "emancipating the mind and seeking truth from facts" that the merits and faults of reform and all fields of endeavor are, in the final analysis, judged by whether they are conducive to the development of the productive forces in socialist society, to the enhancement of the comprehensive strength of a socialist country, and to the people's living standard. For this reason, an "all-round contract system" is no longer viewed as practicing capitalism, and it will eventually resolve the Chinese food problem. Village and township enterprises are no longer criticized as

"an adverse impact on the state plan," and they have become an important component of a socialist market economy. The "Wenzhou mode" is no longer labelled as "privatization." Today, various economic elements in competition have developed. The overall "grafting" of state-owned enterprises across Quanzhou city is no longer regarded as "selling assets and sovereignty." The city has preserved and increased the value of state assets and has accelerated economic development. By insisting on letting the facts speak for themselves, rights and wrongs have been distinguished clearly and a common understanding has been reached.

It is under this banner of "emancipating the mind and seeking truth from facts" that the conclusion that China is at the primary stage of socialism has become the whole party and nation's common understanding. Developing the socialist productive forces as a basic task of socialism has eventually been defined. The "three stages" as a basic development strategy for modernization has become a grand blueprint of China's socialist construction: Reform, opening up, and nurturing and developing a socialist market economy have become China's basic policy of economic construction. By persisting in proceeding from national conditions, the prospects of building socialism in China have been increasingly bright. (2) What socialism is and how to build it are the basic theoretical questions of the highest importance in building socialism with Chinese characteristics. The past errors and setbacks in the practice of socialism are, in the final analysis, due to the failure to fully understand these questions.

As early as April 1980, with a scientific attitude of emancipating the mind and seeking truth from facts, Comrade Deng Xiaoping brought up a question: "What is socialism?" Through persistent explorations, in 1992 he scientifically summarized the essence of socialism: "The essence of socialism is liberating and developing the productive forces, eliminating exploitation and polarization, and achieving the ultimate goal of common prosperity." This scientific summary has pointed out a clear orientation of perfecting and developing public ownership and promoting overall social progress with economic construction as the center.

In the great practice of reform and opening up, the theory of building socialism with Chinese characteristics has been transformed into the conscious action of a broad masses of the people, giving rise to an unprecedented vigor and vitality of socialist China's economic construction.

Rural areas are the first area in which China has made the first breakthrough in its reform. The 17-year practice of reform has demonstrated that rural areas have

undergone the greatest changes, while peasants have received greater benefits than ever before. For the last 17 years, Chinese peasants have raised comprehensive grain productive capacity from 300 billion kg to 440 billion kg and have increased per capita consumption of grain from 314 kg to 400 kg. Peasants' per capita income has risen from 133 yuan to 1,200 yuan. On 3 March 1993, peasants throughout Huaxi Village, Jiangsu Province, collectively purchased 250 red "Jieda" sedans. This is a small village that shook off poverty only after the Third Plenary Session of the 11th Central Committee. In 1994, its total industrial-agricultural output value reached 1.578 billion yuan, with net profit after tax 0.154 billion yuan. All households live in new houses and have property worth 100 million. We simply dared not think of such a concept under the past economic structure!

Shenzhen represents another aspect of China's reform and opening up, especially the important achievement of the "special economic zone theory" with distinctive characteristics. More than a decade ago, Shenzhen was still an impoverished and backward outlying town, with an area of only 3 square km and a population of fewer than 30,000. In 1979, Comrade Deng Xiaoping decided to use it as a window for reform and opening up and to establish it as the Shenzhen Special Economic Zone. Today, a modern city is rising vigorously on this miraculous tract of land. Shenzhen's favorable living conditions have even attracted certain people across from the Shenzhen River to return to Shenzhen. The foreign media were astonished at the sudden change in Shenzhen and called it "an overnight city"—a dazzling city that presented itself overnight before people's eyes!

Meanwhile, under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, large and medium-sized state enterprises, which had made tremendous contributions to China's socialist construction and had served as the main body of China's economy, are adapting themselves to two fundamental changes and are actively conducting two precious explorations in establishing a modern enterprise system. An activity to emulate the Handan Iron and Steel Works, to emphasize management, and to increase efficiency has been launched across the country. It can be envisaged that after undergoing the throes of deepening reform, the brilliant achievements of large and medium-sized state enterprises in the cross-century long march can be expected soon.

In practice, Huaxi Village, Shenzhen, and the Handan Iron and Steel Works epitomize the theory of building socialism with Chinese characteristics. Having the land in view, Liu Village of Henan, Doudian of Beijing, Banbidian of Hebei, Quer Village of Zhejiang,

and Yangji Village of Guangdong—these and countless billion-yuan villages have mushroomed all over the country. Zhuhai, Shantou, Xiamen, Shanghai's Pudong, and Nanhai's Yangpu have opened up rapidly, with industrial cities and towns spreading all over the country. All of them emerged from the spring breeze of the theory of building socialism with Chinese characteristics. In the face of the truth, everyone cannot but admit that the theory of building socialism with Chinese characteristics has brought about and will continue to bring about an earth-shaking change in the face of China. (3)

Since the Third Plenary Session of the 11th CPC Central Committee, under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, our party has established a basic line with "one central task and two basic points" throughout the primary stage of socialism.

To uphold the party's basic line, the most important thing is to unwaveringly persist in taking economic construction as a central task, which is of overriding importance at the present stage. To constantly liberate and develop the productive forces, it is essential to continue reform and opening up, to establish a new socialist economic structure full of vigor and vitality, and to correspondingly reform a political structure and structures in other fields in a bid to achieve China's socialist modernization. Practice over the last 17 years has proven that reform and opening up are the road to a strong country. Persisting in the socialist road, the people's democratic dictatorship, the party's leadership, Marxism-Leninism, and Mao Zedong Thought is the base on which to build up the nation and is a political guarantee of the healthy development of reform, opening up, and modernization.

At the beginning of the new period in 1979, Comrade Deng Xiaoping not only raised the question of ideological and political guarantees of reform and opening up, but he also outlined the "Chinese characteristics" of building socialist spiritual civilization: "While significantly raising the social productive forces, we should reform and perfect the socialist economic and political systems, develop a high degree of socialist democracy, and improve a socialist legal system. In addition to building a high material civilization, we should also raise the scientific and cultural levels of the whole nation, develop a tasteful, varied, and colorful cultural life, and build a high socialist spiritual civilization."

The most representative part of this "characteristic"—a series of theories of "doing two types of work simultaneously," which are full of dialectics; namely, stepping up reform and opening up and a crackdown on crime, strengthening economic construction and the

legal system, and attaching importance to both material and spiritual civilization—has in practice become the party's important strategic principle. In particular, the successful practice of building spiritual civilization has fully demonstrated the Chinese people's spirit of working for reform and opening up.

In recent years, advanced individuals with distinctive features of the times, such as Kong Fansen, Zhang Mingqi, Li Runwu, Han Suyun, Xu Honggang, Zhao Xuesang, Bai Xuejie, Yan Libin, Bao Qifan, Cui Daqing, Li Guoan, Xu Hu, Wu Tianxiang, and Chen Jinshui, have tugged at people's heartstrings. The tide of emulating the traffic policemen of Jinan, the "civilized angel" of Shijiazhuang's taxi industry, and the "commitment system" of Yantai's service industry is surging.

In particular, Zhangjiagang city of Jiangsu Province, which attaches equal importance to spiritual and material civilization, has scored great achievements in building spiritual civilization and created the "Zhangjiagang spirit" with distinctive features of the times. Not only has it been turned from an unknown small town into one of the most developed areas throughout the country, but it has also played the melodies of patriotism, collectivism, and socialism, achieved marked success in building the party's workstyle and a clean government, and constantly raised the ideological, moral, scientific, and cultural quality of cadres and the masses. This has allowed people to see the initial shape of socialist modernization and the successful practice of Deng Xiaoping's theory of building socialism with Chinese characteristics. (4)

Hong Kong, which has been occupied by colonists for more than a century, will return to the motherland on 1 July next year.

Hong Kong's return is a successful example of China's peaceful reunification policy and is an outstanding contribution made by Comrade Deng Xiaoping, chief architect of reform and opening up, to the Chinese nation. In the great practice of satisfactorily settling an issue left over by history, which is an "unaccomplished task and unfulfilled dream" of our predecessors, the scientific concept of "one country, two systems," known as "sheer genius" at home and abroad, was born, and it has become an important component of the theory of building socialism with Chinese characteristics.

The basic content of "one country, two systems" is: On the premise of one China, the main body of the country will continue its socialist system; Hong Kong, Macao, and Taiwan are inseparable parts of the PRC but will, as special administrative regions, preserve their capitalist systems. Only the PRC can represent China internationally.

The concept of "one country, two systems" began with the question of Taiwan and was first used in resolving the Hong Kong issue.

On 24 September 1982, Deng Xiaoping met the then British Prime Minister Margaret Thatcher in Beijing's Great Hall of the People. In view of Thatcher's attitude, Deng Xiaoping explicitly stated the Chinese Government's three basic positions on the Hong Kong issue. On the way in which the Chinese Government will administer Hong Kong so as to maintain its prosperity after 1997, Deng Xiaoping noted: "Continued prosperity in Hong Kong depends fundamentally on applying policies suited to Hong Kong under Chinese administration after the recovery. Hong Kong's current political and economic systems and even most of its laws can remain in force. Of course, some of them will be modified. Hong Kong will continue to practice capitalism, and many systems currently in use that are suitable will be retained."

These statements by Deng Xiaoping clearly expressed the Chinese Government's determination and its stand on settling the Hong Kong issue and proposed the creative concept of maintaining Hong Kong's prosperity after 1997. Mrs. Thatcher later recalled: "I have met with Deng Xiaoping, and he really lives up to his reputation as a pragmatist because the knot of the Hong Kong issue was eventually untied by his hands."

In accordance with the concept of "one country, two systems," following diplomatic negotiations, China and Britain finally signed the Sino-British joint declaration on the Hong Kong issue on 19 December 1984, earning favorable comments at home and abroad. Even the British negotiator, Mrs. Thatcher, also repeatedly described Deng Xiaoping's concept of "one country, two systems" as "sheer genius." She commented: "The concept of 'one country, two systems' means that two different political, social, and economic systems are maintained in a country, and there is no precedent for it. It provides an imaginative answer to Hong Kong's special historical environment. This concept has set an example of how a seemingly intractable problem can and should be settled."

Under the guidance of the concept "one country, two systems," the questions of Hong Kong and Macao will be settled satisfactorily, and a clear outline of the peaceful resolution to the Taiwan issue has also been drawn.

The scientific concept of "one country, two systems" originates from the idea of "emancipating the mind and seeking truth from facts," which runs through the theory of building socialism with Chinese characteristics.

"Emancipating the mind and seeking truth from facts" is also socialist China's principle of a strategic diplomatic theory. In the historical period in which great changes are taking place in the world of today, Comrade Deng Xiaoping noted: "In determining relations between countries, each party should proceed from his country's own strategic interests. Each country should proceed from its own long-term strategic interests, and at the same time respect the interests of the other. All countries, big or small, strong or weak, should respect others as equal, giving no thought to old scores or to differences in social systems and ideologies. In this way, all questions can be properly resolved."

It is precisely under the guidance of the ideological line of "emancipating the mind and seeking truth from facts" that despite a sudden change in the international situation and a serious setback in the international cause of socialism since 1989, socialist China has stood rock-firm in the East and advanced steadily toward the grand goal set by Comrade Deng Xiaoping of achieving socialist modernization by the middle of the next century—that is, by the 100th anniversary of the founding of the PRC—and toward the main goals of the communist society.

Taking a broad overview of the theories of socialism and communism from the day of their birth until today, every generation has its own practice, explorations, and creations. The theory of building socialism with Chinese characteristics is great, not only because it has successfully guided the practice of China today but, more important, because it is a scientific theory that radiates with Marxist ideas and has planted the concept of "emancipating the minds" and "seeking the truth from facts" in Chinese people's minds. Just as Deng Xiaoping noted: Marxism must be integrated with China's actual conditions, while socialism must be geared to the actual circumstances of China with distinctive characteristics.

The theory of building socialism with Chinese characteristics is a product of China's socialism with reform and opening up as its distinctive characteristics in the new period, and it is a theory that has planted its root and grown steadily in practice. Through practice, this magnificent theory will certainly be constantly enriched and developed.

PRC: Jiang Zemin Stresses Achieving Sustainable Development

**HK1707075896 Beijing CHINA DAILY in English
17 Jul 96 p 1**

[By Dian Tai: "Environment Tops Agenda"]

[PTS Transcribed Text for FBIS] Economic growth should be taken into consideration along with popula-

tion, the environment, and natural resources, with the aim to achieve a sustainable development, President Jiang Zemin stressed in Beijing yesterday.

He made this call at a special meeting held during the ongoing Fourth National Environmental Protection Conference.

Arrangements should be made not only for current development but also for the coming generations, Jiang observed.

The meeting, attended by leading officials of the Party, State and local governments, was chaired by Premier Li Peng.

Vice-Premier Zhu Rongji, CPC Propaganda Department Director Ding Guangen, Vice-Premier Zou Jiahua, NPC [National People's Congress] Standing Committee Vice-Chairperson Wang Bingqian, State Councillor Song Jian and CPPCC [Chinese People's Political Consultative Conference] Vice-Chairperson Qian Zhengying were among those attending yesterday's meeting.

In his keynote speech to the meeting, Jiang said that environmental protection was a strategic matter of overall importance and was vital for the country's long-term development.

China is a country with a large population and a limited supply of natural resources per capita; its science and technology are not yet well developed, while its economic and technical foundations are rather weak, Jiang pointed out.

Therefore, the task of protecting its ecosystem is arduous, and as a result, in the process of economic and social development, the country should endeavour to obtain high socio-economic benefits and a well-preserved environment with less investment and less consumption of resources, he said.

In the process of carrying out strategies for realizing sustainable development, people should try their best to fulfill the following five tasks:

- Continuing to economize on water, land, power, raw materials, grains and other resources.

- Going on to control the growth of population while improving the population quality in a comprehensive way.

- Rationalizing the consumption structure to contribute to the conservation of the environment and natural resources.

- Strengthening public education on environmental protection to improve awareness not only among ordinary people but also among government officials.

— Curbing and reversing both damages to natural resources and the environmental trend towards deterioration in some places.

Jiang said some officials overlooked environmental protection and thought that economic development should be given priority in consideration. This kind of thought was wrong and harmful, he commented.

There was a serious lesson to be learned from many economically developed countries, which had undergone a process of conservation only after severely polluting the environment and wasting natural resources.

"We should not step onto the same road of exerting controls only after polluting," he said, adding that China's socio-economic development should be based on an improved industrial structure and harmonious co-ordination among the economy, society and the environment.

He repeated that by making use of favourable factors, some places could develop their economies more rapidly, but not at the expense of wasting resources and sacrificing the environment.

The fifth session of the 14th National People's Congress has specifically set targets of fundamentally transforming the economic system and economic growth model, as well as implementing the strategies of sustainable development and relying on science and technology to make the country strong and rich, according to Jiang.

Basic State policies of controlling population growth and conserving the environment have also provided a reliable basis for protecting the ecological system even during development.

Nowadays, environmental problems involve many fields including international politics, economy, trade and culture.

The Chinese people are willing to make contributions to global environmental protection, but cannot pledge to shoulder responsibilities that do not accord with the country's development level, Jiang noted.

China is firmly against the environmental diplomacy of some developed countries, which interferes with other countries' internal affairs under the guise of protecting the environment, he said.

PRC: Jiang Praises Development of Publication Work in Ningxia

*OW1707084896 Beijing XINHUA in English
0755 GMT 17 Jul 96*

[FBIS Transcribed Text] Beijing, July 17 (XINHUA)
— Northwest China's Ningxia Hui Autonomous Region

has witnessed a rapid growth in publications over the past three years.

A recent survey conducted during a national publication show indicates that at least 780 new books were printed, worth about 85 million yuan, and have a reprint rate of 38.1 percent.

The region has three publishing houses and one audio-visual studio.

Founded in 1959, the Ningxia People's Publishing House has published a total of more than 8,800 books. The Ningxia Education Press has printed over 470 textbooks of various kinds since its founding in 1992.

To boost the local social and economic development, the regional publication has focused its efforts on books about the Hui ethnic group's life, economic and cultural development, and the academic works of Muslims.

President praised the achievements made by the regional publication over the past years during his recent visit to the national publication show.

PRC: Jiang Zemin Visits Publication Achievements Show

*OW1607083296 Beijing XINHUA in English
0743 GMT 16 Jul 96*

[FBIS Transcribed Text] Beijing, July 16 (XINHUA) — President and Communist Party General Secretary Jiang Zemin urged publishers to print more good books that will better educate future generations and encourage them to read improving works.

Jiang made the remarks Monday [15 July] evening while visiting a national publication show, which opened in Beijing on Saturday with displays of 38,000 books, 4,200 periodicals, 3,100 musicals and 180 electrical publications.

During his one-hour visit, Jiang expressed his pleasure to visit a show that illustrates the advances and successes of the country's publication sector since the reform and opening.

He said the publishing houses should make every effort to print more good books and create better educational conditions for readership.

Jiang also urged publishers not to print anything that might be harmful to young readers.

Qiao Shi, chairman of the National People's Congress Standing Committee, and Liu Huqing, Vice-Chairman of the Central Military Commission, also visited the show yesterday.

PRC: Li Peng Urges Governments At All Levels To Curb Pollution

*HK1607075796 Beijing CHINA DAILY in English
16 Jul 96 pp 1, 2*

[By Liu Yinglang: "Li Urges Curb Of Pollution"]

[PTS Transcribed Text for FBIS] Governments at all levels must take effective measures if the country's environmental targets for the next 15 years are to be reached, Premier Li Peng urged yesterday.

Li made the appeal in his keynote speech to the opening session of the Fourth National Conference on Environmental Protection, in Beijing.

China has set targets of curbing the deteriorating environmental trend by the year 2000, and obtaining fairly conspicuous improvements in the urban and rural environments by the year 2010.

Premier Li said that to fulfil these targets great efforts from across the country are required, since there is a big gap between the current state of the environment and the targets.

Li emphasized that four measures were necessary for meeting the targets;

— Environmental management should be strengthened to control pollution.

— Economic-growth models should be transformed to achieve sustainable development.

— The investment in environmental protection should be gradually increased.

— Environmental laws should be strictly enforced.

He pointed out that a large part of the current environmental problems resulted from loose or inadequate management.

Recently the State Council deliberated and passed in principle a resolution on several management problems in environmental protection.

The resolution will be presented to the conference to solicit opinions, and will be promulgated and implemented as soon as possible after revisions and improvement have been made.

Emphasizing the prevention and control of industrial pollution accords with the country's real situation, according to Li.

He added that the construction of cities should be limited inscale to prevent the occupation of a large amount of precious cultivated land and to prevent possible serious pollution problems.

Since the 1970s, the State Council has convened three national conferences on environmental protection.

As a result of the government's efforts in environmental protection over the past 18 years—since China adopted the reform and opening-up policy — China has avoided rapid deterioration of its environmental quality, even under conditions of fast economic growth. This proves that the government's policies and strategies for environmental protection and sustainable development are correct and effective, according to Li.

However, pollution is spreading from urban to rural areas; it is impeding the healthy development of the economy and, in some areas, is even impairing the public health, Li added.

Moreover, for the next 15 years, the population will keep on growing, generating even greater demands for resources; and economic development will maintain its rapid speed.

On the other hand, the people are demanding a high-quality environment.

Therefore the country's resources, environment and ecosystem will face bigger burdens in this period, the premier noted.

Environmental protection will continue to be an arduous task for the coming decade, according to Li.

The fourth conference's theme was centred on how to accomplish the environmental protection tasks defined by the nation's Ninth Five-Year Plan for economic and social development and how to achieve sustainable development while fully implementing the basic State policy of environmental protection.

Elizabeth Dowdeswell, under secretary-general and executive director of the United Nations Environment Programme (Unep), also spoke at the opening session of the conference.

She said that the Chinese Government pays great attention to environmental protection and makes great efforts to promote the cause, and its efforts are appreciated in the international community.

She praised China's viewing its economy and environment in global terms, and drawing up a national strategy for achieving sustainable development.

China has been co-operating with Unep for more than 20 years. Dowdeswell added that Unep was willing to enhance its co-operation with China.

Li met with Dowdeswell in Beijing yesterday morning before the conference opened.

During the meeting, Li said that the UN had played a major role in co-ordinating and guiding global environmental protection, and the Chinese Government would continue to actively support Unep.

PRC: Article on Leadership Focus on Party Building

*HK1607053996 Beijing RENMIN RIBAO in Chinese
23 Jun 96 pp 1, 2*

[("Practice piece" from "Commemorating 75th Anniversary of CPC's Founding" column by staff reporter Zhang Yan (1728 0917): "Historic Mission—Account of Party Central Committee With Comrade Jiang Zemin as Core Concentrating on Grasping Party Building")]

[PTS Translated Text for FBIS] Through 75 years of revolutionary tests, the ship which started from Nanhu in Jiaxing has braved the wind and waves, and sailed ahead. Today, it has sailed into a new historic period.

In the face of the changing situation in the world and bearing on its shoulders the historic mission of carrying forward the cause and forging ahead into the future, the third-generation CPC leadership collective with Comrade Jiang Zemin as the core has looked ahead to the journey in the new century, focused attention on grasping party building well, and enabled the huge oceangoing ship to continue to brave the winds and storms and navigate along the correct course.

Common Mission of the Three Generations of Leadership Collective

The CPC is the core force leading China's revolution and socialist construction. Since its birth, the CPC has attached great importance to its building and has continuously enhanced its art of leadership.

The first-generation CPC leadership collective with Comrade Mao Zedong as the core integrated the universal truth of Marxism-Leninism with China's concrete reality, amassed the wisdom of the whole party, founded Mao Zedong Thought, and led and united the people of all nationalities across the country in winning the historic victory of China's revolution and socialist construction.

After the Third Plenary Session of the 11th CPC Central Committee, the second-generation CPC leadership collective with Comrade Deng Xiaoping as the core inherited and carried forward the glorious tradition of the first-generation leadership collective and continuously created a new situation in party building. In ideological building, the leadership collective adhered to emancipation of the mind, seeking truth from facts, making

bold explorations, blazing new trials, testing and developing truth in practice, and reestablishing and developing the Marxist ideological line. In theoretical building, the leadership collective integrated Marxist basic tenets with China's contemporary reality and characteristics of the times, inherited and developed Mao Zedong Thought, and founded the theory of building socialism with Chinese characteristics—Marxism of contemporary China. In political building, the leadership collective laid down and implemented the basic line of taking economic construction as the central task, upholding the four cardinal principles, and adhering to reform and opening up, and increased the unity of the whole party based on this line. In organization building, the leadership collective restored and gradually improved the system of democratic centralism, abolished the lifetime-tenure system for leading cadres, promoted the four haves (more revolutionary, younger in average age, better educated, and professionally competent) of the ranks of cadres and leading bodies at all levels, and consolidated and developed the party organizations. In style building, the leadership collective resumed and carried forward the party's fine tradition and style of seeking truth and being realistic, plain living and hard struggle, and wholeheartedly serving the people, unswervingly carried out building of the party style, ran a clean administration, and waged struggles against corruption, and won the support of the masses.

Following the Fourth Plenary Session of the 13th CPC Central Committee, the third-generation CPC leadership collective with Comrade Jiang Zemin as the core unswervingly adhered to the party's basic line, took economic construction as the central task, upheld the four cardinal principles, stuck to reform and opening up, and developed the socialist market economy, socialist democratic politics, and socialist spiritual civilization. As a result, China scored tremendous world-acknowledged achievements in its socialist modernization program. The Fifth Plenary Session of the 14th CPC Central Committee also drafted China's grand objectives transcending the century and outlined a brighter future.

The third-generation CPC leadership collective with Comrade Jiang Zemin as the core has fully realized that the key to upholding the party's basic line lies in the party and that the smooth attainment of the target of building socialism with Chinese characteristics lies in the party, and has thus focused attention on strengthening party building.

Our party has 57 million members and the task of education and management is more arduous than at any period in the past. The CPC Central Committee with Comrade Jiang Zemin as the core has been good

at seriously studying and resolving the new problems emerging in party building in the new situation of reform and opening up. To enable the party to withstand the test of a ruling party under new historic conditions and withstand the test of reform, opening up, and the socialist market economy, the CPC Central Committee issued the "Circular on Strengthening Party Building" in August 1989, which urged "the party committees at all levels to follow the requirements of the party's basic line, focus attention on grasping party building, and be resolved to settle the pressing problems in party building."

The CPC Central Committee with Comrade Jiang Zemin as the core has attached great importance to the party's political building. In order to build the leading bodies at all levels into a firm core which will implement the party's line, principles, and policies, the CPC Central Committee in 1990 conducted education throughout party in becoming a qualified party member and carried out reregistration of party members in some units in line with the principle of administering the party strictly. At the same time, the party organizations at all levels paid close attention to the work of assessing cadres, evaluating whether party cadres above county (office) level had toed the central line, upheld the four cardinal principles, adhered to reform and opening up, opposed bourgeois liberalization, kept themselves free of corruption, and courageously struggled with corrupt practices. In light of the results of the assessment, necessary readjustment of the leading bodies of some organizations and departments was introduced.

The CPC Central Committee with Comrade Jiang Zemin as the core has put ideological building in first place. The 14th party congress established the guiding position of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics in the whole party, and proposed applying this theory to arm the whole party and unswervingly adhere to the party's basic line for 100 years. To implement this strategic task, the CPC Central Committee published the third volume of the "Selected Works of Deng Xiaoping" and requested the whole party to seriously study the theory of building socialism with Chinese characteristics. To help county (office)-level party and administrative cadres upgrade the level of their ideological theory, the CPC Central Committee further pointed out, it is necessary to focus attention on conducting education among them in Marxism-Mao Zedong Thought and Deng Xiaoping's theory of building socialism with Chinese characteristics and to regularize and systematize this practice. In future, all members who enter leading bodies should have a period of study at party schools. Other lead-

ing members should regularly receive training in party schools.

The CPC Central Committee with Comrade Jiang Zemin as the core has not for a single moment slackened efforts to grasp the building of party style and has carried on the anti-corruption struggle in depth. To strengthen party style and run a clean administration, the CPC Central Committee stressed that leading organs and cadres should set an example and implement "resolute and sustained" principles. The "Opinions on Strengthening Party Style and Running a Clean Administration" drafted by the CPC Central Discipline Inspection Commission and transmitted by the CPC Central Committee in November 1990 urged party organizations at all levels to strictly enforce party discipline and seriously handle discipline violation cases, and made a further call for resolutely curbing unhealthy tendencies and earnestly handling the two problems of party and government cadres building private houses in violation of discipline and using public funds to decorate their residences to above the normal standard. In August 1993 the Second Plenary Session of the Central Discipline Inspection Commission created five-point regulations for leading cadres of party and government departments at and above county (office) level on keeping themselves free of corruption. Later the fourth and fifth plenary sessions made specific arrangements for the building of the party's ideological style and improving the supervisory mechanism. In October 1993 the CPC Central Committee and State Council adopted the "Decision on Matters To Be Handled in the Recent Anticorruption Struggle." In April 1995, the General Offices of the CPC Central Committee and State Council again made the "Decision on Leading Cadres of Party and Government Organs At and Above County (Office) Level Declaring Their Incomes." The party organizations at all levels strictly implemented the central decision on party discipline, sternly examined and handled a large number of discipline violation cases, and ensured the smooth progress of reform, opening up, and socialist construction.

While paying close attention to political and ideological building and improving party style, the CPC Central Committee with Comrade Jiang Zemin as the core has firmly grasped the building of party organizations. The Fourth Plenary Session of the 14th CPC Central Committee made the "Decision on Some Major Issues Concerning the Strengthening of Party Building," which focused on resolving three issues in organizational building and promoting party building: Further upholding and improving the system of democratic centralism and applying a perfect system to ensure inner-party democracy, maintain the authority of the CPC Central Committee, and guarantee that the whole party takes unified action

on major issues; further consolidating and strengthening the millions of basic-level party organizations so that they can become fighting bastions which unite and lead the masses in carrying out reform, opening up, and the modernization program; and further nurturing and tempering tens of thousands of intermediate- and senior-level party leaders, particularly training and selecting a number of young cadres who have ability and political integrity and forming a leadership stratum which firmly takes the road of building socialism with Chinese characteristics, which is good at studying and resolving new problems, and which is picked and full of vitality.

Arm the Whole Party With Great Theory

Comrade Mao Zedong once pointed out: "Theory is like a banner." After its founding, the CPC solemnly declared that it would write Marxism on its banner. Through the Yanan rectification and the seventh party congress, the CPC again wrote Mao Zedong Thought—the thought which integrated Marxism-Leninism with the practice of China's revolution—on its banner. At the 14th party congress, the CPC Central Committee with Comrade Jiang Zemin as the core solemnly wrote Deng Xiaoping's theory of building socialism with Chinese characteristics and the basic line of "one center, two basic points" laid down under the guidance of this theory on its banner.

A strategic task facing the whole party after the 14th party congress was to arm the whole party with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. The CPC Central Committee set forth the tasks of taking this theory as the guide, increasing the awareness and resoluteness in implementing the party's basic line, further improving party leadership, and improving the party's art of ruling and leadership.

To implement the strategic task, the CPC Central Committee compiled and published the third volume of the "Selected Works of Deng Xiaoping" and promulgated the "Decision of the CPC Central Committee on Studying the Third Volume of the 'Selected Works of Deng Xiaoping.'" Later, the revised and enlarged editions of volumes one and two of the "Selected Works of Deng Xiaoping" were published. The CPC Central Committee called for studying the first, second, and third volumes as a whole set. Later, the CPC Central Committee printed and distributed the "Outline for the Study of Comrade Deng Xiaoping's Theory of Building Socialism With Chinese Characteristics" compiled by the Central Propaganda Department.

The CPC Central Committee held a report meeting on studying the third volume of the "Selected Works of Deng Xiaoping" on 2 November 1993. General Secretary Jiang Zemin personally delivered a report to the

members of the Political Bureau in Beijing; various party, government, and army departments in the capital; and principal officials of the provinces, autonomous regions, and municipalities. While studying the works of Comrade Deng Xiaoping, he said, it is necessary to link the study with the current situation and tasks, firmly grasp and profoundly understand the ideological line of emancipating the mind and seeking truth from facts, firmly grasp and profoundly understand the scientific thesis of the essence of socialism and the basic line of "one center, two basic points," firmly grasp and profoundly understand the fundamental principle of grasping material civilization on the one hand and spiritual civilization on the other and construction on the one hand and the legal system on the other, and firmly grasp and profoundly understand the safeguarding of national independence and sovereignty, self-confidence in developing national pride, and the patriotic spirit of revitalizing the Chinese nation. It is necessary to integrate the study of Comrade Deng Xiaoping's strategic thinking and theoretical viewpoint with his scientific attitude and creative spirit, respect practice and the masses, expand our field of vision, take the overall situation into account, make bold innovations, and forge ahead.

Beginning from November 1993, the CPC Central Committee held four theoretical study classes for principal provincial- and ministerial-level cadres to study the third volume of the "Selected Works of Deng Xiaoping." All the provinces, autonomous regions, and municipalities and the central party, government, and army departments promptly made arrangements and particularly organized study by the party committees at all levels, and enabled party cadres at above county (regiment) level to undergo training on a rotation basis in a planned manner. The party schools of the whole country and the institutions of higher learning also strengthened Marxist theoretical education in light of the decision of the CPC Central Committee. To date, the broad ranks of party members and cadres nationwide have participated in the study of Deng Xiaoping's theory of building socialism with Chinese characteristics and the party constitution, and education has been conducted throughout the party on the basic theory of the nature of socialism and how it should be built, which will play an inestimable role in improving the whole party's Marxist theoretical level and guiding the practice of socialist construction.

Grasp Party Building Focused on Economic Construction

In November 1989, the Fifth Plenary Session of the 13th CPC Central Committee made the "Decision on Further Undergoing Readjustment and Rectification and Deepening Reform," and the seventh plenary session

deliberated and adopted the "Proposal of the CPC Central Committee on Drafting the 10-Year National Economic and Social Development Plan and the Eighth Five-Year Plan"; and in November 1993, the Third Plenary Session of the 14th CPC Central Committee made the "Decision on Several Issues Concerning the Building of the Socialist Market Economic System," and the fifth plenary session deliberated and adopted the "Proposal of the CPC Central Committee on Drafting the Ninth Five-Year Plan for National Economic and Social Development and the Long-Range Objectives for 2010." All this embodied the strong desire and great ambition of the CPC Central Committee with Jiang Zemin as the core in leading the people of all nationalities throughout the country in revitalizing the Chinese nation and making the country strong and the people prosperous.

The building of the socialist market economic system is an unprecedented undertaking which requires serious investigation and study and bold exploration and experiment. Comrade Mao Zedong once said: "He who has not conducted investigation and study has no right to speak." In July 1993, General Secretary Jiang Zemin further emphasized: "He who has not conducted investigation and study has no right to make policy decisions and exercise leadership!"

The third-generation CPC Central Committee leadership collective with Comrade Jiang Zemin as the core has set a fine example and paid great attention to investigation and study. It has left its footprints of investigation and study at the borders, in border defense, in revolutionary bases, in mountain areas, and in factories and mines. Comrade Jiang Zemin told the staff members working around him: "Please try to arrange more time for conducting investigation and study at the grassroots level." In order to manage more time for conducting investigation and study, the outside activities of the general secretary sometimes have to be arranged outside Beijing.

Comrade Jiang Zemin conducted an inspection of Shanghai, Jiangsu, and Zhejiang in May 1995 and then went to Liaoning, Jilin, and Heilongjiang in June, inspecting around 50 enterprises in two months and holding more than 10 forums and report meetings. He listened to accounts given by the provinces, cities, and enterprises; studied ways to further promote enterprise reform and strengthen enterprise party building; and clearly pointed out that the party cannot give up its political leadership over enterprises.

In view of the fact that enterprise ideological and political work could not meet the needs of the developing situation, the problems existing to varying degrees in

the work, the outdated means and methods, the instability of the ranks of political and ideological workers, and the lack of material supplies, Comrade Jiang Zemin instructed the Central Propaganda Department and the State Economic and Trade Commission to conduct further investigation and study, and draft a document on strengthening enterprise ideological and political work. The Central Propaganda Department and the State Economic and Trade Commission drafted "Some Opinions on Strengthening and Improving Enterprise Ideological and Political Work" in November 1995. The programmatic document emphasized: "It is necessary to give full play to the role of the political core of the party organizations and gradually establish an ideological and political work management system and operational mechanism suited to the socialist market economic system and the modern enterprise system."

Agriculture is the foundation of the national economic and social development. There are more than 800 million peasants and 800,000 grassroots-level party organizations in the rural areas. The CPC Central Committee has always attached great importance to the building of the rural grassroots-level party organizations and has urged them to unite and lead the peasants along the road to prosperity, and turn themselves into fighting bastions of reform and construction.

On 25 June 1993, the CPC Central Committee invited outstanding party members and party affairs workers attending the forum to mark the 72d anniversary of the CPC's founding to a forum held at Zhongnanhai's Huairontang, and to listen to the opinions of Ni Zhenliang, secretary of the party general branch of Dudian village, Beijing; Lin Haokun, party secretary of Nanhui, Guangdong; and other officials responsible for rural grassroots-level party organizations on strengthening the building of the grassroots-level organizations in the new period. Comrade Jiang Zemin made notes while listening to their accounts and listened carefully to the speeches made by the deputies.

The Fourth Plenary Session of the 14th CPC Central Committee was held in Beijing from 25 to 28 September 1994. The session focused discussion on party building and made the "Decision of the CPC Central Committee on Several Major Issues on Strengthening Party Building." Following that session, the CPC Central Committee promptly convened the National Work Conference on the Building of Rural Grassroots-Level Organizations, issued the "Circular on Strengthening the Building of Rural Grassroots-Level Organizations," worked out plans for vigorously strengthening the building of rural grassroots-level organizations with the party organizations as the core, and strived to reorganize and build well within three years the party organizations

which were weak and in a state of paralysis, so as to promote the comprehensive progress of rural reform, development, and stability. Over the past year or so, the party committees at all levels have earnestly performed their function of administering the party and worked out three-year plans at each level, and over 99.7 percent of county party committees have established and improved the responsibility system of grasping party building in the rural areas. Thanks to reorganization, more than 80 percent of backward party branches have effected marked changes and over 20 percent of the villages have become advanced units, which has vigorously deepened rural reform and promoted economic development.

Implementation of party building is one of the major characteristics of the third-generation CPC leadership collective with Comrade Jiang Zemin as the core. When members of the Political Bureau go to the grassroots level, they attach great importance to inspecting implementation of party-building work. Following the Fourth Plenary Session of the 14th CPC Central Committee, Comrade Jiang Zemin pointed out: "The Fourth Plenary Session of the 14th CPC Central Committee has drafted a good document and the key now lies in implementation. We should take the earnest implementation of the CPC Central Committee's decisions and resolutions as a discipline and strengthen supervision and inspection." In light of Comrade Jiang Zemin's instruction, the CPC Central Committee organized nine inspection groups to go to 12 provinces, autonomous regions, and municipalities and to nine ministries from 20 August to 20 September 1995 to inspect implementation of the decision of the Fourth Plenary Session of the 14th CPC Central Committee in all localities. After the inspections, leading comrades of the CPC Central Committee and officials of the departments concerned listened to reports. The inspections and implementation vigorously promoted the new great project of party building and offered a solid guarantee to the socialist modernization program.

On the occasion of the 75th anniversary of the CPC's founding, we should unite closely around the CPC Central Committee with Comrade Jiang Zemin as the core, further grasp party building, increase the party's cohesive power and combat-effectiveness, and work hard to realize the grand objective transcending the century.

PRC: State Councillor Peng Peiyun Addresses HIV/AIDS Campaign

*OWI107144996 Beijing XINHUA in English
1329 GMT 11 Jul 96*

[FBIS Transcribed Text] Beijing, July 11 (XINHUA) — HIV/AIDS and reproductive health were the themes of an education campaign held in Beijing to mark World Population Day today.

The event was sponsored by the State Family Planning Committee and other family planning organizations.

State Councillor Peng Peiyun said that the Chinese government attaches great importance to the health care of mothers and babies, and that a healthcare law for mothers and infants was launched in 1994 to strengthen services for reproductive health.

Peng said that since the International Conference on Population and Development and the 4th International Conference on Women, China has taken various measures to improve reproductive health services, which are conducive to the family planning policy.

She said that the infection rate of the HIV/AIDS virus is still low in China, but HIV/AIDS cases are increasing in the country.

People can be infected by the HIV/AIDS virus through blood transfusion or sexual intercourse — the leading causes of the disease in China, Peng said. An HIV-infected mother can pass the disease on to her baby, she said.

She urged that the illegal collection of blood for clinical use must be prohibited, that a blood donation system be established, and that prostitution, drug abuse and drug trafficking be banned.

Dr. Nafis Sadik, Executive Director of the United Nations Population Fund, said that the AIDS pandemic poses a severe threat to the world community: every minute, about five people contract the HIV virus which eventually leads to AIDS.

Women are biologically and socially more vulnerable to HIV than men, she said, and empowering women and educating both sexes about HIV/AIDS prevention provide the intervention needed to reduce women's risk for infection.

About 21.8 million people in the world have HIV/AIDS, and 5.5 million AIDS patients have died since the discovery of the disease in 1981, according to a report released by the World Health Organization.

Dr. Sadik called on the people all over the world to take the responsibility for preventing and controlling HIV/AIDS.

PRC: Most Workers Care About Income, Advanced Studies

*OWI107115496 Beijing XINHUA in English
0852 GMT 11 Jul 96*

[FBIS Transcribed Text] Beijing, July 11 (XINHUA) — Chinese workers are paying more attention to earning more income, receiving more education, and maintaining their health, according to results of a national survey.

The No. 1 desire of more than 65 percent of 1,153 workers questioned at state-owned, collectively-owned and township enterprises, and also in foreign-funded joint ventures throughout the country, was to make more income.

About 35 percent of them said that they were more concerned about pursuing advanced studies and upgrading knowledge, and 31 percent cared more about personal health and individual medical care.

"The results reflected the change of Chinese workers' thoughts and demands in the current market-economy period," said Liu Xiayang, the survey organizer, and deputy director of the Public Opinion Research Institute of the People's University in Beijing.

"More Chinese people have come to understand the principle of 'survival of the fittest,' since social competition is getting fierce," explained Liu. "And they are beginning to pay closer attention to the need for self existence and development."

In recent years, China has been promoting reforms in the state-owned enterprises, including the reform of the "cradle-to-grave" welfare system.

"Thus, the burdens of improving incomes, housing, medical care and in-service training have gradually transferred from the shoulder of governments and enterprises to that of workers themselves," Liu said.

"That is why so many surveyed workers showed solicitude for those matters," he said.

The survey showed workers also were concerned about housing, their children's education, and the protection of their personal rights and interest, and to some extent, interpersonal relationships with their colleagues.

It found that workers at the state-owned and collectively-owned enterprises paid more attention to income, housing and medical care than those employed by township enterprises and joint ventures.

Township enterprise workers named on-the-job training as the most important thing they wanted to do.

The survey also indicated that workers from various age groups responded differently to many of the survey questions.

The first life choice for workers under 25 was education, while workers older than 56 first considered health and medical care.

Those in the 26-55 age group cared more about income, housing, education of children and mental health, the survey showed.

PRC: High Tuitions on Pretext of Foreign-Hired Experts Banned

*OW1107140196 Beijing XINHUA in English
1218 GMT 11 Jul 96*

[FBIS Transcribed Text] Beijing, July 11 (XINHUA) — China will forbid schools and other educational organizations from collecting high tuitions on the pretext of having foreign experts or teachers, sources in Beijing said here today.

China has employed an increasing number of foreign experts since 1979, when the reform and opening-up was initiated. In 1995, more than 14,000 foreigners from 54 countries worked in the country's cultural and educational sectors.

Over the past five years, more than 600 units in the cultural fields hired foreign experts; 96 percent of them were public institutions of higher learning.

Xu Zhenyuan, deputy director of the State Bureau of Foreign Experts Affairs (SBFEA), said here today that the foreigners have contributed much to the development of China's culture, education, technology and economic construction.

However, the lack of standard employment regulations has produced disorder in some places that hire foreign professionals, he said.

The SBFEA and the State Education Commission have jointly published a regulation governing the hiring of foreign experts by schools and universities.

According to the regulation, they are forbidden to seek excessive profits by asking for high tuition fees because they employ foreign experts.

Additionally, schools and universities must be certified by the SBFEA before they can engage foreign experts. Those responsible for illegal hiring practices will be punished by the public security department, in accordance to the relevant regulations.

PRC: CPC Anniversary Roundup

OW1307130996

[FBIS Report] The following is a compilation of reports on activities to mark the 75th anniversary of the CPC's founding monitored by Okinawa Bureau from 26 June to 9 July 1996. The source and mode of processing are given in parentheses after each report.

Yunnan Leaders Mark CPC Founding Anniversary — The Yunnan Provincial CPC Committee held a meeting on 26 June to mark the 75th anniversary of the CPC's founding and to commend outstanding party members. Provincial Deputy Secretary Ling Huan presided over the meeting. "Attending the meeting were provincial party, government, and military leaders, including He Zhiqiang, Li Jiating, Yin Jun, Liu Shusheng, Zhang Baosan, Meng Jiayao, Wang Tianxi, Sun Gan, Wang Xueren, Liu Jin, Chen Youzhong, and Cao Yunzhong; as well as Li Xingwang and Liang Jia, former veteran leaders of the provincial party committee."

Addressing the meeting, provincial Secretary Gao Yan stressed the importance of studying Jiang Zemin's speech at the forum to mark the 75th anniversary of the CPC's founding. Gao Yan said: "To fulfill the province's Ninth Five-Year Plan and Long-Range Targets Through 2010, we must have a contingent of high-quality cadres." Therefore, he called for efforts to "train and bring up a contingent of party members and cadres who are politically qualified, who have good work-styles, who are professionally efficient, and who have moral integrity." (Summary) (Kunming YUNNAN RIBAO in Chinese 27 Jun 96)

Guangxi Soiree Marks CPC Birth Anniversary — The Guangxi autonomous regional party committee held a literary and art soiree on 29 June to mark the 75th anniversary of the CPC's founding. "Attending the soiree were regional party, government, and military leaders, including Zhao Fulin, Ma Qingsheng, Chen Huiguang, Liu Guoyu, Zhu Yuanpin, Li Zhaozhuo, Pan Qi, Xu Shouli, Cao Hungxing, Li Enchao, Huang Baoyao, and Zhang Wenzhong; as well as veteran comrades including Wei Chunshu."

Performances were staged at the Nanning Theater, which included the ode "Without the Communist Party, There Would Not Have Been a New China." (Summary) (Nanning GUANGXI RIBAO in Chinese 30 Jun 96)

Gao Yan Writes Article To Mark CPC Birth Anniversary — Yunnan Secretary Gao Yan recently wrote an article, "Carry Out the Basic Requirement on Stressing Politics To Push Forward the Development of the Cause of Socialist Modernization Construction," to mark the 75th anniversary of the CPC's founding. The

article appears on pages 1 and 2 of the 2 July YUNNAN RIBAO.

In his article, Gao Yan says: "Conscientiously studying Comrade Jiang Zemin's important speech at the forum marking the 75th anniversary of the CPC's founding and carrying out the basic requirement on stressing politics have practical significance in providing long-term guidance for strengthening party building, particularly the building of leading bodies at various levels in the new period; for building a contingent of high-quality cadres; for adhering to the party's basic line in a better way; for making the people rich and invigorating Yunnan; and for continuously advancing reform, opening up to the outside world, and the socialist modernization drive."

Gao Yan says that it is very important for leading cadres to stress politics because stressing politics can enhance their leading ability. Therefore, leading cadres must have a high degree of consciousness and a sober understanding of the international and internal environments. He points out: "Judging from the international situation, peace and development have become the contemporary world's two main themes. This has provided us with a good opportunity for developing the economy. However, the world is not tranquil. We are still confronted with the threats of hegemonism and power politics; foreign hostile forces, unwilling to see socialist China develop and becomes strong, have never abandoned their political plots to vainly change China's existing system and to split China." Gao Yan says it is necessary to "strengthen ideological and political building in leading bodies at all levels" because "at present, some leading cadres only pay lip-service to maintaining unity with the party Central Committee ideologically and politically, but in practice, they go their own way; in dealing with the policy decisions of the central authorities and higher levels, they implement them if they agree with them, but refuse to implement them when they disagree. They even have gone so far as to apply the principle of the higher authorities have policies, but we have countermeasures. Some leaders do not hesitate to harm the state's overall interests in favor of the interests of the part or a small group. This kind of conduct, which goes against discipline and has seriously interfered with the smooth progress of the reform, opening up, and the modernization drive, must be resolutely investigated, handled, and corrected." (Summary) (Kunming YUNNAN RIBAO in Chinese 2 Jul 96)

Guangxi Secretary Attends Forum To Mark CPC Anniversary — The Guangxi autonomous regional party committee held a forum in Nanning on 25 June to mark the 75th anniversary of the CPC's founding. Addressing the forum, regional Secretary Zhao Fulin stressed: "Party

organizations and every Communist Party member in the autonomous region must review and carry forward the party's fine traditions, bear in mind the purpose of serving the people and the historical responsibility they bear in the new period, and lead the region's people of all nationalities to continue to advance along the road of building socialism with Chinese characteristics."

Cheng Kejie, deputy secretary of the regional party committee and chairman of the autonomous region, presided over the forum. "Regional party, government, and military leaders attending the forum were Ding Tingmo, Ma Qingsheng, Chen Huiuguang, Liu Guoyu, Liu Zhenqi, Yuan Zhengzhong, Li Zhaozhuo, Pan Qi, Xu Shouli, Cao Hungxing, Li Enchao, Huang Baoyao, Du Jingyi, Li Zhenqian, Yuan Fenglan, Liu Hong, Feng Henggao, Zhang Wenxue, Wang Rongzhen, Chen Ren, Lin Zhaoqun, Zhong Jiazu, Lung Chuan, Huang Yuyang, He Xianglin, Chen Leiqing, and Ouyang Yansheng."

In his speech, Zhao Fulin notes that the Fifth Plenary Session of 14th CPC Central Committee forwarded the targets for national economic and social development for the next 15 years, adding that "to fulfill these transcentury targets, it is necessary to strengthen party building and the building of leading bodies and contingents of cadres to provide a solid leadership and organizational guarantee." (Summary) (Nanning GUANGXI RIBAO in Chinese 26 Jun 96)

Guizhou Leaders Mark 75th Anniversary of CPC Founding — A literary and art soiree was held in Guiyang on 29 June to mark the 75th anniversary of the CPC's founding. Performances included a chorus composed of Liu Fangren, Chen Shineng, Long Zhiyi, Wang Siqui, Wang Guangxian, Yuan Ronggui, Li Wanlu, Wang Shouting, Xia Guohua, Hu Xiansheng, Yu Zhonggui, Bu Zhixin, Wang Sanyun, and Chen Yuanwu. They sang the ode "Without the Communist Party, There Would Have Been No New China." (Summary) (Guiyang GUIZHOU RIBAO in Chinese 30 Jun 96)

Hunan Secretary Addresses Meeting To Mark CPC Founding Anniversary — The provincial party committee held a meeting on 1 July to mark the 75th anniversary of the CPC's founding and to commend outstanding communist party members.

"Attending the meeting were provincial party, government, and military leaders and retired leaders, including Wang Maolin, Chu Bo, Zheng Peimin, Zhou Li, Liu Fusheng, Liu Zheng, Hu Biao, Wen Xuande, and Luo Haifan." Provincial Secretary Wang Maolin delivered a speech, "Work Hard To Fulfill the Party's Transcentury Grand Targets."

The provincial party committee decision adopted at this meeting called on Hunan party organizations and party members to "rally closely around the party Central Committee with Comrade Jiang Zemin as the core" and to fulfill the province's Ninth Five-Year Plan and Long-Term Targets Through 2010 by implementing guidelines of the central authorities under the guidance of Deng Xiaoping's theory of building socialism with Chinese characteristics. (Summary) (Changsha HUNAN RIBAO in Chinese 2 Jul 96)

Jiangxi Soiree Marks CPC Founding Anniversary
 — The provincial party committee held a literary and art soiree on 1 July to mark the CPC's 75th founding anniversary. "Attending the soiree were provincial leaders, including Wu Guanzheng, Shu Shengyou, Shu Huiguo, Huang Zhiquan, Zhong Qihuang, Ma Shichang, Peng Kunsheng, Feng Jinmao, Zhong Jiaming, Liu Dewang, Zhang Kexun, Lu Xiuzhen, Zhang Fengyu, Huang Mingxin, Hua Tong, and Zheng Shichao." (Summary) (Nanchang JIANGXI RIBAO in Chinese 2 Jul 96)

Anhui Soiree Marks CPC Founding Anniversary
 — A literary and art soiree was held in Hefei on 30 June to mark the 75th anniversary of the CPC's founding. "Provincial party and government leaders, including Lu Rongjing, Meng Fulin, Wang Taihua, Chen Guanglin, Wang Yang, Du Cheng, Ji Jiahong, Liu Guangcai, Wang Xiuzhi, Long Nian, Wang Sheyun, Qian Jingren, Li Mingjun, Xu Xueshou, and Liu Zhengzong; and over 1,000 other people watched the performances." (Summary) (Hefei ANHUI RIBAO in Chinese 1 Jul 96)

Sichuan Soiree Marks CPC Founding Anniversary
 — A literary and art soiree was held in Chengdu on the evening of 30 June to mark the 75th anniversary of the CPC's founding.

"Yang Rudai, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, and leaders of Sichuan Province and the Chengdu Military Region, including Xie Shijie, Liao Xilong, Zhang Zhiqian, Nie Ronggui, Qin Yuqin, and Pu Haiqing, attended the soiree."

Songs, such as "Follow the Communist Party," lauding the CPC were sung at the evening soiree, which ended amid the tunes of "Without the Communist Party, There Would Have Been No New China." (Summary) (Chengdu SICHUAN RIBAO in Chinese 1 Jul 96)

Sichuan Holds Meeting To Mark CPC Anniversary
 — The Sichuan CPC Committee held a meeting in Chengdu on 1 July to mark the 75th anniversary of the CPC's founding and to commend outstanding Communist Party members.

Provincial Secretary Xie Shijie addressed the meeting. Other provincial leaders attending the meeting were Qin Yuqin, Pu Haiqing, Yang Xizong, Nie Ronggui, Sun Tongchuan, Xi Yifang, Huang Yinda, Zhang Zhongwei, Geng Quanli, and Chen Guojun.

In his speech, Xie Shijie said: To fulfill the strategic task of making people rich and invigorating Sichuan, we must have a contingent of party-member cadres who are capable of carrying out the transcentury task. "The most important thing we must do is to temper party-member cadres in party spirit and strengthen their self-improvement in accordance with the five requirements Comrade Jiang Zemin asked party-member cadres to fulfill in his speech at a recent forum to mark the 75th anniversary of the CPC's founding." (Summary) (Chengdu SICHUAN RIBAO in Chinese 2 Jul 96)

Shanghai Secretary Attends Soiree To Mark CPC Founding Anniversary — A literary and art soiree was held in Shanghai on 30 June to mark the 75th anniversary of the CPC's founding. "Leaders of the municipal party committee, the municipal people's congress, the municipal government, the municipal committee of the Chinese People's Political Consultative Conference, and military units stationed in Shanghai, including Huang Ju, Xu Kuangdi, Chen Zhili, Chen Liangyu, Ye Gongqi, and Chen Tiedi attended the soiree and watched the performances." (Summary) (Shanghai People's Radio Network in Mandarin 2300 GMT 30 Jun 96)

Anhui People's Congress Marks CPC Founding Anniversary — The provincial people's congress office held a meeting on 1 July to mark the 75th anniversary of the CPC's founding. Meng Fulin, chairman of the provincial people's congress standing committee, spoke at the meeting. He said: "In his speech at a recent forum to mark the 75th anniversary of the CPC's founding, Comrade Jiang Zemin called for efforts to build a contingent of high-quality cadres. This is an urgent task of great historical significance. All party members, cadres, staff members, and provincial people's congress organizations workers must conscientiously study Comrade Jiang Zemin's important speech to show that they are stressing politics in actual deeds." (Summary) (Hefei Anhui People's Radio Network in Mandarin 1100 GMT 2 Jul 96)

Sichuan Party Veterans Mark CPC Founding Anniversary — The provincial party committee held a forum of party veterans in Chengdu on 24 June to mark the 75th anniversary of the CPC's founding. "Comrades Xie Shijie, Song Baorui, Nie Ronggui, Qin Yuqin, Xi Yifang, Geng Quanli, and Xu Shiqun attended the forum. Pu Haiqing presided over the forum. Provincial veteran leaders, including Lu Dadong, Tian Bao, Yang Chao,

and He Haoju, numbering nearly 30 people, attended the forum." Provincial Secretary Xie Shijie briefed the party veterans on Sichuan's plans to promote agriculture, industry, and public order in 1996; while Deputy Secretary Pu Haiqing told the forum participants about the progress in promoting ideological and political education and party building at provincial grass-roots units. (Summary) (Chengdu SICHUAN RIBAO in Chinese 26 Jun 96)

Fujian Marks CPC Founding Anniversary — The provincial party committee held a forum on 28 June to mark the 75th anniversary of the CPC's founding. Attending the forum were provincial leaders, including Jia Qinglin, Chen Mingyi, He Shaochuan, Xi Jinping, Lin Zhaoshu, Zhao Xuemin, Chen Yingguan, Liang Qiping, Huang Ruilin, Zhang Jiakun, Lin Kaiqin, Su Changpei, Huang Wenlin, Wang Jianshuang, Tong Wanting, Pan Xincheng, and Jin Nengchou; and party veterans Hu Hong, Cheng Xu, and Wu Hongxiang.

Addressing the forum, Jia Qinglin said under the party Central Committee's leadership, Fujian has made great progress in all fields. "A good situation has emerged in the province in which there is political and social stability and the people are living and working in peace and contentment."

In conclusion, he called on party organizations at all levels to study Jiang Zemin's speech made at a recent forum to mark the CPC's 75th founding anniversary. (Summary) (Fuzhou FUJIAN RIBAO in Chinese 29 Jun 96)

Fujian Departments Hold Soiree To Mark CPC Anniversary — Departments directly under the provincial government held a literary and art soiree on 27 June to mark the 75th anniversary of the CPC's founding. Leaders of the provincial party committee, people's congress standing committee, government, Chinese People's Political Consultative Conference, and discipline inspection commission, including, Jia Qinglin, Chen Mingyi, Xi Jinping, Lin Zhaoshu, Chen YingGuan, Huang Songlu, Liang Qiping, Huang Ruilin, Song Jun, Wang Jianshuang, Liu Jinmei, Chen Jiazen, and Lin Yi, attended the soiree. (Summary) (Fuzhou FUJIAN RIBAO in Chinese 29 Jun 96)

Xinjiang Leaders Study Jiang Zemin's Speech — On 26 June, members of the Xinjiang autonomous regional party committee standing committee gathered to study General Secretary Jiang Zemin's speech made at a recent forum to mark the 75th anniversary of the CPC's founding. Taking part in the study were Wang Lequan, secretary of the autonomous regional party committee; Abdulahat Abdurixit, Keyum Bawudun, Zhang Wenyue, Zhou Shengtao, and Aisihaiti Kelimubai, vice chair-

men of the autonomous regional party committee; and Hailiqemu Silamu, Li Fengzi, (Abdurim Amiti), Zhang Yunchuan, Chen Demin, and Wu Dunfu, members of the autonomous regional party committee standing committee. (Summary) (Urumqi XINJIANG RIBAO in Chinese 27 Jun 96)

Tibet Secretary Hears Reports on Heroes' Advanced Deeds — On 25 June, the eve of the 75th anniversary of the CPC's founding, regional party, government, and military leaders, including Chen Kuiyuan, Raidi, Gyalcan Norbu, Guo Jinlong, Basang, Chen Han-chang, Lu Huimin, Li Liguo, Zheng Ying, Cui Jiguo, Gyamco, and Cering Zhuoga, gathered at the Tibetan People's Auditorium in Lhasa to hear a report on the advanced deeds of heroes and models. (Summary) (Lhasa XIZANG RIBAO in Chinese 26 Jun 96)

Zhejiang Military District Leaders Attend Soiree To Mark CPC Anniversary — The Zhejiang Military District held a literary and art soiree on the evening of 26 June to mark the 75th anniversary of the CPC's founding. Yuan Xinghua, commander of the military district; He Jiabi, political commissar of the military district; Wang Changgui, deputy political commissar of the military district; and Chen Lijiu, director of the military district political department, attended the soiree. (Summary) (Hangzhou ZHEJIANG RIBAO in Chinese 27 Jun 96)

Jiangxi People's Armed Police Corps Mark CPC Anniversary — To mark the 75th anniversary of the CPC's founding and the 60th anniversary of the Red Army's victory in the Long March, the Jiangxi People's Armed Police Corps organized more than 70 leading cadres to receive theoretical training at Jinggangshan, the cradle of the Chinese revolution, from 24 June to 1 July. They concentrated on studying Jiang Zemin's speech made at a recent forum to mark the 75th anniversary of the CPC's founding. (Summary) (Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 8 Jul 96)

Sichuan Leaders Study Jiang Zemin Speech — Members of the provincial party committee's standing committee and vice governors gathered on 9 July to study the speech Jiang Zemin made at a recent forum to mark the 75th anniversary of the CPC's founding. Addressing the gathering, provincial Secretary Xie Shijie said: "General Secretary Jiang's important speech is a programmatic document for strengthening work related to cadres in the new period. Party organizations and leaders at all levels must conscientiously study the speech, understand it thoroughly, and vigorously implement it." (Summary) (Sichuan Provincial Television Network in Mandarin 1145 GMT 9 Jul 96)

**PRC: Army Paper Reviews Jiang's 1 Jul Speech/
Part 1**

HK1107073196 Beijing JIEFANGJUN BAO
in Chinese 25 Jun 96 p 1

[Commentator's article: "An Important Task of Great Urgency—First Talk on Studying, Implementing General Secretary Jiang's Important Speech Marking 1 July"]

[PTS Translated Text for FBIS] At the forum marking the 75th anniversary of the CPC's founding, General Secretary Jiang Zemin delivered an important speech on working hard to develop a high-quality contingent of cadres. He emphasized: To guarantee the smooth progress of China's reform and construction, smooth fulfillment of the century-straddling great goal, and a lengthy peaceful reign of the party and the state, exerting great efforts to strengthen development of the contingent of cadres and to improve the qualities of the mass cadres—leading cadres in particular—has become an important task of great urgency before the whole party. From the perspective of the overall situation and strategy, this important speech by General Secretary Jiang has profoundly discussed the extreme importance of developing a high-quality contingent of cadres and made even more explicit the guiding thought, the main task, and the basic requirements for developing a contingent of cadres for today and the future. There is no mistaking what the speech is aimed at, with its immense value of guidance. It is imperative for us to earnestly study it and grasp its essence, and then firmly implement it according to the requirements of the General Political Department's circular by closely linking it to the troops' actual conditions.

There is a well-known statement by Comrade Mao Zedong: "When a political line is set, cadres are precisely the decisive factor." In his practice of leading the Chinese revolution and construction, Mao Zedong had always attached great importance to developing the contingent of cadres, and he regarded the bringing up of successors as a matter of fundamental importance to the cause of proletarian revolution for many, many generations to come. Starting from the need of the great cause of building socialism with Chinese characteristics since the Third Plenary Session of the 11th Central Committee, Comrade Deng Xiaoping has conspicuously placed before the whole party the issue of strengthening the development of the contingent of cadres and of selecting and bringing up successors. On many occasions, he emphasized: This is "a primary task," "a strategic issue," and "has a bearing on the fate of our party and state." Comrade Jiang Zemin has attached great importance to developing the contingent of cadres, especially senior

and middle-level cadres, and has personally taken care of work in selecting and bringing up cadres who are younger in age. On many occasions he stressed: Exerting great efforts to bring up a large number of fine cadres, who are able to take up important historic tasks, is the key to the development of our cause. On the eve of our party's 75th birthday, he issued an important speech for that occasion in which he set forth anew the important task of exerting efforts to develop a high-quality contingent of cadres. The series of important discussions by the core of the third-generation party leadership have fully expressed that our party has persistently attached importance to strengthening the development of cadres. From this, we must see with profundity and grasp in a comprehensive way the importance and urgency of developing a high-quality contingent of cadres.

To strengthen the development of the contingent of party and army cadres was a basic experience of our party's successful leadership in revolution and construction; it is also the inevitable requirement of developing socialism with Chinese characteristics and a modern regular army during the new period. The period between now and the end of the century is crucial to national and army construction. The profound changes resulting from reform, opening up, and building the socialist market economic system in China, along with the strategic attempt of international hostile forces to implement "Westernization" and "disintegration" in China, have brought about many new conditions and issues facing our development of the contingent of cadres; consequently, our mass cadres, especially senior and middle-level cadres, are facing new, stern tests. Paying attention to improving the quality of our army is an important guiding thought for building our army during the Ninth Five-Year Plan. This calls for lots of work, and the key is bringing up qualified people. True, we can import some modern technology and equipment, but with regard to century-straddling qualified people running the army, who are loyal to the party and the people, we shall have to rely on our own efforts in bringing them up. Because our army is a people's army under the CPC's direct leadership, the qualities of the contingent of cadres have a direct bearing on what sort of people will grasp the barrel of a gun. The Central Committee and the Central Military Commission [CMC], with Comrade Jiang Zemin as their core, have all along attached great attention to this life-or-death issue. In recent years, the CMC and the military headquarters have made a series of important arrangements regarding this issue. Especially since the beginning of this year, the whole army has concentrated on education and rectification among leading bodies and leading organizations at and above the regimental level in accordance with the "Opinions of the General

Political Department on Strengthening Education and Administration of Senior and Middle-Level Cadres of the Army," which the CMC relayed with a written instruction. That is a practical step for developing the contingent of army cadres. We are glad to see that under the correct leadership of the Central Committee and the CMC, our army has achieved marked results in developing the contingent of cadres of our army in a comprehensive way. We must make sustained and redoubled efforts to raise the development of the contingent of cadres to a new level based on the spirit of General Secretary Jiang's speech.

To further strengthen development of the contingent of army cadres, it is primarily necessary to study earnestly and grasp profoundly the essence of General Secretary Jiang's speech. To study General Secretary Jiang's speech, it is necessary to link the study of relevant discussions by Comrades Mao Zedong and Deng Xiaoping to the series of instructions by Comrade Jiang Zemin on strengthening the development of the contingent of party cadres as well as the realities of developing the leading body and contingent of cadres of one's own unit. Experience has taught us that the more deeply one studies and understands, the greater consciousness one shows in implementation. Genuinely proceeding from the overall situation of a lengthy peaceful reign of the state and improving the army through studying, it is imperative to fully understand the strategic meaning of strengthening the development of the contingent of cadres; earnestly acquire a clear picture of the guiding thought, major tasks, basic requirements, and major measures for developing a high-quality contingent of cadres; and especially have a profound grasp of General Secretary Jiang's spirit and essence on the "task of urgency" to strengthen the development of the contingent of cadres and improve their qualities, thus genuinely sparking a sense of urgency and grasping the work very firmly. When we emphasize politics, we must implement the role of politics in developing the contingent of cadres, particularly the leading bodies.

PRC: Army Paper Reviews Jiang's 1 Jul Speech/ Part 2

HK1107073796 Beijing JIEFANGJUN BAO
in Chinese 27 Jun 96 p 1

[Commentator's Article: "Firmly Implement Five Basic Requirements—Second Talk on Studying, Implementing General Secretary Jiang's Important Speech Marking 1 July"]

[PTS Translated Text for FBIS] In the important speech General Secretary Jiang Zemin delivered at the forum marking the 75th anniversary of the CPC's founding,

he set forth five basic requirements on developing the contingent of cadres during the new period. These requirements are the basic political and professional qualities that are indispensable to cadres, particularly leading cadres. We must understand these requirements profoundly, grasp them in a comprehensive way, and implement them persistently with unremitting efforts.

That party cadres must possess qualities of those five aspects is primarily determined by our party's nature, purpose, and historic mission. Our party has taken Marxism as the theoretical basis of its guiding thought; therefore, every cadre must establish lofty communist ideals, resolutely take the road of developing socialism with Chinese characteristics, and firmly implement the party's basic theory, basic line, and various principles and policies. Our party regards serving the people heart and soul as its sole purpose; such being the case, every cadre must be a loyal servant of the people and establish close ties with the people on the most extensive scale. Our party has adopted Marxist philosophy to be its own world outlook and methodology; this being the case, every cadre must adhere to the correct ideological line and possess a materialist dialectical method of thinking and work method. Our party is the vanguard organized by those people who have the most profound consciousness in all of society; this being the case, every cadre must care for the party's political body as he does for his own eyes and always maintain uprightness, justice, and honesty. Our party has shouldered the important historic responsibility of leading the people of all nationalities in China to realize socialist modernization. This being the case, every cadre must possess knowledge and ability to be qualified for the work in his post.

These five basic requirements that General Secretary Jiang has set forth involve political faith, political stand, moral cultivation, ideological style, and knowledge and ability. They cover the basic qualities that a cadre must possess to be successful during the new historical period. In a comprehensive way, these basic requirements have answered such questions as what an official must do, why should one be an official, and how to be a good official. Every requirement closely centers around "emphasizing politics"—the core issue. Only by meeting these five basic requirements will it be possible to implement "emphasizing politics" in a down-to-earth way, and this is the only way to be a successful cadre. Our army cadres shoulder a special mission endowed by the party and the people; they must implement all five basic requirements set forth by General Secretary Jiang, but their criteria are even higher and their requirements are stricter.

There is no mistaking the goal of General Secretary Jiang's five basic requirements for developing the contingent of cadres during the new period. While fully affirming the main current of contingent of cadres, General Secretary Jiang stressed that the qualities of a considerable number of comrades, especially their ideological and political qualities, do not meet the requirements of the party's cause. This analysis and judgment are entirely applicable to the contingent of army cadres. For example, the theoretical cultivation of some cadres does not comply with the development in the situation of reform, opening up, and developing the socialist market economy; the spiritual state of some cadres does not conform with the arduous tasks of realizing the great century-straddling blueprint; the ideological style of others does not comply with the party's fine tradition and the people's requirements; the educational background and ability of others do not suit the progress of modernization of the state and the army, and so forth. Only by resolutely implementing the five basic requirements and genuinely developing a high-quality contingent of cadres will it be possible to keep pushing forward our cause of reform, opening up, and modernization and to live up to the expectations of the party and the people.

To realize these five basic requirements, it is necessary to rely on the cultivation and education of party organizations as well as the painstaking study and cultivation of the cadre himself. Army party organizations at all levels must earnestly analyze the present conditions of the contingent of cadres and leading bodies; summarize the experiences and lessons in the bringing up, education, administration, and appointment of cadres; and plan work on bringing up and improving cadres based on the five basic requirements set forth by General Secretary Jiang. Army cadres at all levels, especially leading cadres, must have a clear picture of the important tasks on their shoulders and the requirements of the times. They must take the five basic requirements of General Secretary Jiang and the four sentences he has given young cadres as their maxims and use them to constantly measure, examine, stimulate, and motivate themselves, strictly standardize all their speeches and actions, and keep improving their political and professional qualities, thereby handing in a test paper that meets the demands of the party and the people.

PRC: Li Peng Signs Decree on Promulgating Air Security Rules

OWI107091296 Beijing XINHUA Domestic Service in Chinese 1003 GMT 10 Jul 96

[FBIS Translated Text] Beijing, 10 Jul (XINHUA) — Premier Li Peng signed the No. 201 State Council Decree on 6 July to promulgate the "PRC Civil Aviation

Security Regulations." The regulations become effective upon promulgation.

The civil aviation security regulations have 40 articles in six chapters, including general principles, civil airport security, security of civil aviation operations, security inspection, penalty, and supplementary articles.

The regulations provide that, on the basis of security needs, an airport's controlled areas should include segregated waiting area, luggage inspection and loading area, areas for aircraft operations and maintenance, and cargo area; and that these areas should have security facilities and be clearly identified.

The regulations also provide that seven kinds of conduct are prohibited at airports: Scaling over (breaking into) or damaging airport fences and other security facilities; hunting, herding livestock, drying grain, or instruction in the driving of vehicles within controlled areas; entering controlled areas without a permit; casually crossing a runway or taxi track; boarding or taking over an aircraft by force; creating false alarm; and other behavior disturbing airport order.

With respect to security of civil aviation operations, the regulations provide that the aircraft captain will take overall charge of an aircraft's security during flight; and that, led by the captain, security personnel undertake specific security duties. The regulations also provide that the captain may use his authority while discharging his duties: He may refuse to take off when, before taking off, he discovers that relevant quarters have failed to take security measures prescribed in the regulations; he may take necessary restrictive measures against those who disobey dissuasion and disturb the order in the aircraft, or interfere with the normal work of the crew during flight; he may take necessary measures to handle hijacking or sabotage of the aircraft, or other conduct that endangers safety during flight; and he may make a final decision on disposition of the aircraft upon encountering special circumstances during flight.

The regulations also provide: All luggage carried by travelers and other personnel boarding an aircraft are subjected to security inspection, except those exempted by the State Council. Those who refuse to have their luggage checked are not permitted to board the aircraft and shall be responsible for their losses. With the exception of those for whom the State Council has separate regulations, anyone boarding an aircraft may not carry or ship the following items: firearms, ammunition, military tools, police tools; controlled cutting tools; inflammable, explosive, toxic, corrosive, and radioactive materials; and articles whose shipment is banned by the state.

PRC: Tibet TV Shows Rally Pronouncing Death Verdicts on Convicts

OW1107150996 Lhasa Tibet Television Network in Mandarin 1200 GMT 9 Jul 96

[Announcer-read report over video; from the "Regional News Hookup" program]

[FBIS Translated Text] On 9 July, the Lhasa Municipal Intermediate People's Court organized a rally at the Lhasa Stadium to pronounce verdicts on Soinam Quen and other felons who were found guilty of deliberate murder, robbery, rape, larceny, and other heinous crimes. The felons were soon brought to the execution ground and executed.

The felons receiving the severe punishment were Soinam Quen and Zasang, who were found guilty of deliberate murder and robbery; Qiangba Kezhub, who was found guilty of deliberate murder; Norbu and Wang Jie, who were found guilty of robbery and murder; Li Jun, who was found guilty of raping a young girl; and Baima Chilie, Hu Hong, and Huang Dachao, who were found guilty of stealing large sums of money [video shows a chain of trucks with males and females escorted by armed personnel passing in front of huge rows of people in uniform and civilian clothing].

Soinam Quen and Zasang, who were found guilty of deliberate murder and robbery, murdered Yuzhen with a wooden club and a belt on 4 May 1996, and fled with the victim's jewelry, including cat-eye stones and gold bracelets and necklaces valued at more than 230,000 yuan. The Chinese public security authorities captured them on 9 May. The felons were found guilty of deliberate murder and robbery. Their way of killing was extremely atrocious, the case was extraordinarily serious, the money involved in the robbery was huge, and the social influence was extremely unfavorable. They received capital punishment according to the law [Video shows close-ups of two women in their late thirties or early forties, held by armed personnel on the trucks, facing the crowds. From various angles, the camera also shows the mass rally attended by thousands of people, and law enforcers reading the verdicts at the rally]

Qiangba Kezhub, who was found guilty of deliberate murder, shot and killed Cering Toinzhub whose wife also was injured. Qiangba Kezhub was a law enforcer himself, but he violated the law and acted recklessly. The way he committed the crime was abominable, the consequences were extraordinarily serious, and the social influence was extremely unfavorable. He was executed by the Chinese law enforcement authorities

[Video shows a male in his late forties being exhibited in front to the crowd by several armed police on a truck].

Li Jun, who was found guilty of raping a 12-year-old girl on 29 February 1996 who was still being educated through labor. He seriously hurt the victim physically and mentally. His case was particularly heinous and the social influence was extremely unfavorable. He was executed by the Chinese law enforcement authorities [Video shows a male in his twenties being held by several uniformed personnel on a truck]

These felons disregarded the state law and acted audaciously and recklessly. Their ways of committing the crimes were atrocious. If they were not executed, we would have gone against the will of the people, and we would not be able to assuage the people's wrath. The people unanimously applauded the people's court's severe and prompt punishments of these felons according to the law [Video shows close-ups of several males, with age ranging from late twenties to forties, being exhibited at the mass rally, cutting to the chain of trucks, with police vehicles on their sides, passing through a thoroughfare in Lhasa].

PRC: Tibet Sentences 4 to Death, 17 to Various Prison Terms

OW1307121496 Lhasa Tibet People's Radio Network in Mandarin 1400 GMT 12 Jul 96

[FBIS Translated Text] At the prefectoral stadium on 8 July, the Nyingchi prefectoral intermediate people's court held a mass sentencing rally that was attended by more than 10,000 people to openly hand down sentences in accordance with the law against 21 criminals who seriously jeopardized public order and committed crimes such as robbery, murder, rape, drug trafficking, and theft.

Of these criminals, four were sentenced to death, and 17 were sentenced to life or fixed-term imprisonment.

PRC: Papers Report 25 Executions in Ongoing Anti-Crime Drive

OW1307095796 Hong Kong AFP in English 0827 GMT 13 Jul 96

[FBIS Transcribed Text] Beijing, July 13 (AFP) — Another 25 executions were reported by provincial newspapers seen here Saturday, adding to a toll of hundreds put to death as part of a massive anti-crime drive.

Eleven people were executed in northeast China's Heilongjiang Province for stealing equipment from the Daqing oilfields, a provincial daily said. The Thursday edition of HEILONGJIANG DAILY said the executions

were carried out on June 28. Nine others were put to death in June in east China's Fujian Province for robbery and murder, the FUJIAN DAILY said.

Another five highway robbers were put away with a bullet in the back of their necks — the same manner in which all executions are carried out in China — in the central province of Hunan, a provincial daily said.

At least 1,000 people have been executed and thousands arrested as part of a nationwide crackdown that started on April 28.

The sentencing has been condemned by Western human-rights watchdogs as arbitrary, and there have even been objections from within China's judiciary.

PRC: Crime and Punishment in PRC 26 Jun-15 Jul OWI607151596

[FBIS Report] The following is a compilation of reports on crimes, sentencing, punishments, and other judicial-related activities in the PRC monitored by Okinawa Bureau during the period from 26 June to 15 July 1996. The source and mode of processing are given in parentheses after each report:

Fujian Cracks Down on Drug-Related Crimes

In recent years, public security departments in Fujian Province have taken effective measures to crack down on drug trafficking and use of drugs, solved more than 400 drug-related cases, arrested more than 1,000 drug traffickers and users, and confiscated a large quantity of drugs of various kinds. In 1995, public security units arrested a number of drug traffickers from Taiwan and confiscated more than 700 kg of "ice." Since the beginning of this year, public security departments have solved several major cases of drug trafficking, confiscated more than 20 kg of heroin and more than 170 kg of "ice." (summary) (Fuzhou FUJIAN RIBAO in Chinese 26 Jun 96 p 1)

Nine Drug Traffickers Executed in Fujian

Intermediate people's courts in Putian, Xiamen, and Chuanzhou respectively held public meetings on 26 June to pass judgment on drug-related criminals. Nine drug traffickers were executed following the announcement of their death sentence. (summary) (Fuzhou FUJIAN RIBAO in Chinese 27 Jun 96 p 1)

Two Drug Traffickers Executed in Zhejiang

People's courts in Wenzhou, Jiaxing, Jinhua, and Hangzhou on 26 June publicly announced judgments on 96 drug-related criminals. With the approval of the Supreme People's Court, two drug traffickers were exe-

cuted in Wenzhou city 26 June. (summary) (Hangzhou ZHEJIANG RIBAO in Chinese 27 Jun 96 p 1)

Jiangsu Courts Severely Punish Drug-Related Criminals

People's courts in Nanjing, Suzhou, and Wuxi cities on 26 June passed judgments on a number of drug-related criminals, of which 19 people were sentenced to life imprisonment. (summary) (Nanjing XINHUA RIBAO in Chinese 27 Jun 96 p 1)

Hainan Courts Hand Down Death Sentences to Drug-Related Criminals

People's courts in Hainan Province approved arrests of and sentenced a number of drug-related criminals during the "strike-hard" struggle. One man was sentenced to death and two others were given the death penalty with a suspension of execution. (summary) (Haikou HAINAN RIBAO in Chinese 27 Jun 96 p 1)

Yunnan Courts Severely Punish Drug-Related Criminals

The Kunming City Intermediate People's Court on 26 June held a meeting to publicly announce death sentence for 32 drug traffickers, who were executed right after the judgment. (summary) (Kunming YUNNAN RIBAO in Chinese 27 Jun 96 p 1)

Guizhou Courts Give Death Sentence to Drug-Related Criminals

The Guiyang City People's Court on 26 June held a meeting to publicly announce death sentences for 15 drug traffickers and 15 other law offenders who had committed serious crimes. (summary) (Guiyang GUIZHOU RIBAO in Chinese 27 Jun 96 p 1)

Hunan Executes 10 Drug Traffickers

Intermediate people's courts in Changsha, Hengyang, and Chenzhou cities as well as the Xiangxi Tujia-Miao Autonomous Prefecture on 26 June held meetings to publicly announce death sentences for 10 drug traffickers, who were immediately executed following the announcement of the judgement. (summary) (Changsha HUNAN RIBAO in Chinese 27 Jun 96 p 1)

Guangdong Executes Serious Criminals

The Guangzhou City Intermediate People's Court on 27 June held a meeting to publicly announce death sentences for 16 law offenders who committed serious crimes. The 16 criminals were executed by firing squad after the announcement. (summary) (Guangzhou NANFANG RIBAO in Chinese 28 Jun 96 p 2)

Hainan Severely Punishes Law Offenders

The Hainan Intermediate People's Court and the Haikou Intermediate People's Court recently sentenced 34 criminals to death. The criminal had committed crimes including highway robbery and rape of child. (summary) (Haikou HAINAN RIBAO in Chinese 30 Jun 96 p 1)

Murderer Executed in Guizhou

Tian Xiancheng, who murdered the son of the outstanding teacher Tian Peifa, was sentenced to death and executed on 29 Jun (Guiyang GUIZHOU RIBAO in Chinese 30 Jun 96 p 1)

Henan Solved a Major Financial Fraud Case

Henan Province police recently solved a major financial fraud case. Lu Tao, staff member of the Anyang City Branch of the China Industry-Commerce Bank in Henan, stole bank deposit slips and collaborated with two other people to purchase TVs, washing machines, and other commodities worth more than 5.24 million yuan. The three offenders were arrested for prosecution. (summary) (Beijing XINHUA Domestic Service in Chinese 0945 GMT 9 Jul 96)

Fifteen Criminals Sentenced To Death in Jiangsu

On 8 July, the Jiangsu Provincial Higher People's Court announced results of the trial of six serious criminal cases and death sentence of 15 people who committed serious crimes. (summary) (Nanjing People's Radio Network in Mandarin 2300 GMT 8 Jul 96)

Postal Worker in Liaoning Province Escapes With 5 Million Yuan

Li Huiping, savings deposit clerk of a branch office of the Haicheng City Postal and Telecommunications Bureau in Liaoning Province, took advantage of her position and ran away to Anshan city with more than 5 million yuan in early June this year. Anshan policemen arrested her on 29 June. (summary) (Beijing XINHUA Domestic Service in Chinese 2101 GMT 9 Jul 96)

Beijing Police Solve Number of Major, Serious Cases

As of 30 June, Beijing police have solved 6,865 major criminal cases in the past two months and arrested 9,971 offenders and 742 wanted criminals. According to police figures, the number of criminal cases in June decreased 21.8 percent as compared with those in the previous month. (summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1621 GMT 11 Jul 96)

Fujian Border Police Stopped Stowaways

On 28 May this year, border police in Fuzhou city stopped a number of people who tried to leave Ningde coastal area and illegally go to Japan. On 18 May, 26 people went to Guangxi from Fujian and attempted to illegally enter Singapore via Vietnam but were detained by police. On 6 June, 13 stowaways attempted to illegally go to Japan via Wenzhou, Zhejiang, but were detained by Fuzhou border police. (summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 0605 GMT 11 Jul 96)

Liaoning Solves Major Motorcycle Theft Case

The public security bureau in Haicheng, Liaoning, recently solved a major motorcycle theft case, arrested 17 members of a criminal gang, and recovered 27 motorcycles of various kinds. (summary) (Beijing XINHUA Domestic Service in Chinese 2059 GMT 11 Jul 96)

Former Cadres of Taian, Shandong, Sentenced to Death

The Shandong Provincial People's Higher Court has completed the trial of a bribery case involving Hu Jianxue, former secretary of the party committee of Shandong's Taian city; Sun Qingxiang, former deputy secretary of the Taian party committee; Lu Jiaoqing, former secretary general of the Taian party committee; Kong Limin, former vice mayor of Taian; Li Huimin, former director of the Taian Public Security Bureau; and Xu Hongbo, former general manager of Taishan Petrochemical Corporation. Hu Jianxue, Lu Jiaoqing, and Kong Limin were sentenced to death with a suspension of execution for two years; Sun Qingxiang and Xu Hongbo were sentenced to life imprisonment; and Li Huimin was sentenced to death. With Supreme People's Court approval, Li Huimin was executed by firing squad on 12 July. (summary) (Beijing XINHUA Domestic Service in Chinese 0924 GMT 12 Jul 96)

Shenzhen City Arrests More Than 700 Escaped Criminals

In the "strike-hard" campaign, police in Shenzhen, Guangdong, arrested more than 700 escaped criminals. (summary) (Beijing ZHONGGUO XINWEN SHE in Chinese 1409 GMT 15 Jul 96)

Sichuan Severely Punishes Those Who Damaged Communications Lines

The Chongqing City Intermediate People's court 10 July held a meeting to publicly announce judgment on 41 law offenders who destroyed and stole communications and power equipment and facilities. Bai Xuebin, Tang Yizhi, and 14 others were sentenced to death and the rest

were given life or fixed-term imprisonment. (summary) (Chengdu Sichuan Television Network in Mandarin 1145 GMT 11 Jul 96)

Xinjiang Punishes Law Offenders

The Intermediate People's Court in Bortala Mongol Autonomous Prefecture and the Boile City People's Court recently held a meeting to publicly announce judgment of a number of law offenders. Bai Hongbin, a murderer, was sentenced to death and executed following the public announcement. (summary) (Urumqi Xinjiang Television Network in Mandarin 1330 GMT 13 Jul 96)

Shanghai Punished Drug Traffickers

The No. 1 Intermediate People's Court in Shanghai recently sentenced three drug traffickers to life imprisonment. (summary) (Shanghai People's Radio Network in Mandarin 2300 GMT 14 Jul 96)

Measures Taken To Punish Those Who Damage Communications Lines

Public security departments throughout the country have taken strong measures to crack down on crimes of damaging communications lines and have arrested and severely punished a number of law offenders who damaged key communications lines. During the strike-hard campaign, postal, telecommunications, and public security departments organized more than 600 teams to crack down on crimes of damaging communications lines. Departments concerned have solved more than 550 such cases and arrested more than 300 offenders. (summary) (Beijing Central People's Radio Network in Mandarin 1030 GMT 15 Jul 96)

Sichuan Solved Thousands of Criminal Cases in Strike-Hard Campaign

Since the beginning of the strike-hard struggle, Sichuan people's courts have completed the trial of a large number of criminal cases. From 25 April to 25 June, people's courts have handled 8,702 criminal cases involving 13,449 law offenders. Of which 6,537 were serious criminal cases including robbery, explosion, rape, drug trafficking, and kidnapping, involving 10,440 criminals. People's courts in various localities of the province held 478 meetings to publicly announce judgments on those cases. (summary) (Chengdu Sichuan Television Network in Mandarin 1145 GMT 14 Jul 96)

PRC: Beijing Extends 'Strike Hard' Campaign Due to Poor Results

HK1707045896 Hong Kong SING TAO JIH PAO in Chinese 17 Jul 96 p A6

[Report by reporter Huang Lu (7806 0712): "As Major Cases Occur Incessantly and Others Have Yet To Be Cracked, Beijing Extends 'Strike Hard' Campaign to End of September"]

[PTS Translated Text for FBIS] In view of the fact that vicious cases have occurred incessantly in Beijing and that several major ones have yet to be cracked, the municipality has decided to extend the "strike hard" campaign against crimes to the end of September.

It is disclosed, given that Zhongnanhai is very much dissatisfied with the case-busting rate and the campaign results, the municipal public security departments cannot but make such a decision. Before the start of the "strike hard" campaign, the municipal public security departments had made drastic personnel changes within the departments.

It is disclosed that at a public security meeting attended by the public security bureau chiefs of the 18 districts and counties under the municipality, Zhang Liangji, director of the municipal public security bureau, suddenly announced that all district and county public security bureau chiefs present at the meeting would be transferred to another post. They had to go to their posts immediately and were not allowed to return to the offices at their former bureau. The file cabinets of those between whom the posts were swapped, including their personal articles in the desks of their personal office, had to remain untouched and wait for the replacement to sort out. It is said the move was aimed at beefing up leadership over the strike hard campaign and prevent collusion between those within and without and incidents of being partial to one side and tipping somebody off.

After several months, however, the results of the "strike hard" campaign in Beijing was still unsatisfactory and vicious cases occurred continuously. For example, during the 4 June sensitive period, a 700,000-yuan robbery case occurred in the university area in the western suburbs of Beijing; four days later, there was another robbery at the cash desk of the Friendship Hospital. In mid-May, a total of 13 major armed robbery cases took place within a week. But the police, seemingly at a loss of what to do, has so far been unable to bust the cases, thus arousing Zhongnanhai's dissatisfaction. Given such a background, although the "strike hard" campaign is scheduled to come to an end at the end of July nationally, Beijing Municipality cannot

but announce the extension of the campaign on the ground that the "strike hard campaign has not been conducted thoroughly," "the position of the capital is important," and "the crime-busting rate is not high." It hopes to justify itself by cracking one or two major cases in the extended period.

***PRC: Impacts of Market Economy Upon Marriage Attitudes**

96CM0409B Shanghai SHEHUI [SOCIETY] in Chinese May 96 No 136, pp 30-31

[Article by Wen Xianliang from Sichuan Province: "Impacts on Matrimonial Culture Under the Market Economy"]

[FBIS Translated Text] Since China adopted reform and open policies and developed the market economy, tremendous changes have taken place in the economic foundation. The matrimonial culture, as a part of the superstructure that is in keeping with the economic foundation, will certainly undergo changes as well. To sum up, there are changes in the following aspects:

The impact upon the concept of relations between husbands and wives. This concept is a major component of matrimonial culture, the impact upon which is reflected particularly conspicuously in the views on the traditional practices of "being faithful to one's spouse unto death" and "being loyal and steadfast to one's spouse." Today, divorce and remarriage are no longer regarded as an ugly thing in society. A survey indicates that 82.9 percent of young people feel that a couple should divorce if they really cannot get along harmoniously, and most of the middle-aged and elderly people think that divorce and remarriage are purely personal affairs, so other people should not interfere so much in them. On the other hand, the concept of "being loyal and steadfast to the spouse" has begun to topple. Among the young people, 10 percent maintain that it is necessary to uphold monogamy, but extramarital affairs should also be permitted. Nowadays, people generally adopt an analytical attitude toward the "third party" and a lenient attitude toward the "second party." Quite a few husbands and wives do not require that their spouses should love them exclusively, and as long as their spouses will shoulder responsibilities and perform duties so as to maintain the integrity of the families, they will tolerate the "third parties." In particular, those who find it difficult to satisfy the comprehensive demands of their spouses will even more easily acquiesce in such an "open policy" in terms of mutual affection. Moreover, the traditional concept on virginity has lost its value of the old days, as more than half the brides are no longer virgins on the evenings of their weddings, but 46 percent of the male college students in the survey think

that "if both parties are willing to get married, there is no need to make too much criticism about the sexual activities before marriage." With regard to sexual initiative, it is invariably the fact that males are active and females are passive. At present, however, 63 percent to 78 percent of females will take the initiative to ask for sexual lives, and 40 percent to 60 percent of couples have changed their unitary mode of sexual intercourse. This has proven that people today have transformed the traditional conjugal sexualities for the sake of child-bearing or purely for satisfying physiological needs to seeking pleasure for mutual love, which is a cultural conduct rather than an activity simply for reproduction or for venting sexual desire. This signifies that China has made a giant advance in sex civilization.

It goes without saying that if we make even a small step beyond the truth, it will become a fallacy. On the sex issue, there is also a small number of people who stress that in its regression the "human nature" has entered an erroneous zone, or even has transformed into "brutish nature" and lost its moral quality and dignity.

Judging from the concept on responsibilities and obligations of husbands and wives, there are impacts exerted upon the concept of equal obligations and concept of dependent obligations. That means on the one hand, responsibilities and obligations have been mutually taken up by both husbands and wives in quite a few families now, but on the other hand, some families, indeed, still follow the old tradition that all responsibilities and obligations are undertaken by the husbands alone. The old concept of obligations that "getting married to secure the provision of food and clothing" is still deeply rooted in quite a few rural women's minds. Nevertheless, with the market economic principle of exchange at equal value infiltrating into various domains, ethics and the principle of exchange at equal value also make fierce collision on the issue of marriage. The dealings in affection and money and in sexuality and money are conducted inside as well as outside the marriage life. A wife looking quite impressive for her bulging moneybags will certainly not be soft-spoken and subservient, nor will she meekly submit to maltreatment by her husband. Likewise, a husband returning home from work after bustling about all day will no longer tolerate the chatter, willfulness, and overbearing manners of his wife. Such challenges to ethics and traditional morality have led to a lot of social problems. In developing the market economy, how should we prevent the principle of exchange at equal value from infiltrating into the matrimonial relations? This is an issue that people find very hard to avoid and very hard to explain clearly.

The impact upon the value concept in relation to marriage. The feudal society's marital value concept

of marriage for the purpose of raising children in order to continue the family line from generation to generation has been criticized, but after the introduction of the contract responsibility system on the household basis with remuneration linked to output and the smashing of the "iron-clad bowl" distribution system in cities, the marital value concept featuring marriage for having a son to carry on the family name and for raising children to provide against old age has gradually attracted people's interest, which is more conspicuously reflected in their inclination of regarding males as superior to females. Since the 1990's, the ratio of birth in different sexes has all along maintained at approximately 100:112, which is much higher than the normal ratio of approximately 100:107 as an international standard. It also exceeds the average standard of the previous three decades. The market economy has changed people's orientation of marital value. The result of a questionnaire survey conducted among some 20,000 youth in 11 provinces shows that factors affecting family harmony are: 1) emotion; 2) character; 3) economics; 4) hobbies; 5) career; and 6) children. It is thus obvious that the orientation of marital value in the 1990's has distinguishing features different from that of any time in the past. The upgrading of economics attracts people's attention, while the declining position of career is amazing.

As viewed from the selection of subject and object value, in the 1990's, people have discarded the feudal orientation of marital value that focused on choosing a lifelong partner well-matched in social and economic status, and also negated the value concept of the previous decades which focused on pure personal merits. Currently, in choosing a spouse, there are only 22.8 percent of young people who do not consider family conditions, and just 1.8 percent who do not consider personal conditions. Those advocating that the conditions of both parties concerned should be taken into consideration account for 20.8 percent; those giving priority to personal conditions account for 47.4 percent; and those laying stress on family background account for 6.9 percent. Even though there are 25 percent of them who think it "improper to depend upon their parents," 38.3 percent answered that "although they are unwilling to depend upon their parents, they find it difficult to support themselves." Hence, 51.6 percent of the young people adopt an attitude that "they should and cannot help but depend upon their parents."

Taken from the subjective value, the tradition of choosing a spouse by the standard of competence for men and beauty for girls has been thoroughly refuted over the past 30 years. However, the trend of emphasizing men's talent and girls' beauty as an aesthetic standard in selecting a potential spouse has gained ground in recent

years. Quite a large number of bosses who have become "prosperous" detest the "rustic manners" of their "wives who have shared their hard lots" and remarried women with good looks and demeanors and with adeptness in social intercourse. Gifted and knowledgeable men with enterprising spirit who are capable of doing business and earning money have found favor in women's eyes. People have attached great importance to the significant packing effects and economic results of a person's bearing, appearance, and ability in the market economic society.

The impact upon the anticipation of roles played by husbands and wives. In traditional society, wives "longed to see their husbands succeed in the world." Between the 1950's and 1970's, people looked forward to "pairing off wing to wing," and in the 1990's, 23 percent of people under survey advocate "each pursuing his own course." The subjective value, diversified interest, and multichannel income brought by the market competition have negated not only the feudal society's value concept characterized by wives sharing their husbands' splendor and wealth, but also the concept of "creating happiness with the concerted efforts of husbands and wives" that has prevailed over the past 30 years. Their anticipations of knowledge, ability, and money are increasing with each passing day, as the findings of the survey indicate that professors, managers, and business owners have much stronger appeal to the opposite sex than government functionaries.

The impact upon the separating force in marriage. In the early stages of slave and feudal society, the separating force in marriage was relatively powerful. Starting from the Qin and Han Dynasties, people began encouraging moral integrity but gave no restrictions to divorce. After the Song and Ming Dynasties, the separating force in marriage became weaker and weaker. Since the founding of the Republic of China, people had gradually obtained the freedom of divorce. In the wake of promulgating the first Marriage Law in 1950, an upsurge of opposing unreasonable marriages emerged for some time. After the people's communes were organized, the separating force in marriage again weakened incrementally. Under the planned economic structure, people had no decisionmaking power for selecting occupations and had very few chances for social contacts, so their emotion could hardly be shaken. Since the market economic development, however, market contacts have heightened people's aesthetic standards and expanded the range of contrast in beauty and ugliness on one hand, and market competition has changed people's value concept on the other. As a result, the steadiness of affection declined, while

variable factors multiplied, thereby adding strength to the separating force in marriage over the past few years.

The aforementioned phenomena of impacts on the matrimonial culture stemmed from the tremendous social changes. History has proven that every time prosperity and changes emerged in society, there would be new impacts on and choices in the matrimonial culture. We need not be alarmed by such cultural impacts. In essence, they are phenomena in which people select their personal cultural lives under the condition of the market economy and in the course of economic development. What kind of matrimonial culture is considered to be good, perfect, and excellent? People will be taught to make selections in practice. In making such selections, the role of propaganda media is to provide correct guidance, and not to be controlled by worldly concepts of making selections according to customs. The crux rests with initiating and encouraging the matrimonial culture that is conducive to motivating the development of productive forces and social progress in spite of the intrinsic experience of the past.

Military & Public Security

PRC: Sense of Strategy Stressed for Commanders

*OW1507123096 Beijing JIEFANGJUN BAO
in Chinese 28 May 96 p 6*

[Article from "Military Forum" by Lu Denghua (4151 4098 5478): "Campaign Commanders Must Have a Sense of Strategy"]

[PTS Translated Text for FBIS] For campaign commanders, increasing one's strategic thinking and sense of strategy is of special importance in implementing strategic principles for the new period and in making preparations for winning a local war under hi-tech conditions.

Standing on a Higher Plane

Strategies are plans for commanding an entire war. This determines the holistic nature of strategic thinking. Mao Zedong pointed out: In the formulation and application of strategies, we must make an all-round analysis of "all the basic elements of war," and must not simply take note of "broken fragments." Looking at Chinese and world history of military struggle, it is not difficult to find examples of how campaign commanders appropriately decided their course of action by analyzing the situation from the high plane of overall strategic considerations. As early as the period of the second revolutionary civil war in China, 25th Red Army Commander Xu Donghai [1776 2639 3189] lost contact with the party Central Committee at one stage. On the basis of information carried in the enemy's newspapers, he judged the strategic direction of the central Red Army's troop

movements and decided to march his troops north to join forces with the 27th Red Army in northern Shaanxi. In so doing, he frustrated the Kuomintang's [KMT] third "encirclement and suppression" of the Shaanxi-Gansu Soviet Area and preserved the only Red base area of the time. Mao Zedong praised Xu Donghai and other comrades as "people who rendered great services to China's revolution."

Under modern warfare conditions, especially in local wars fought under hi-tech conditions, the links between strategic planning and combat actions in campaigns are becoming closer than ever. Small combat actions are no exception. The "Combat Outline" published by the U.S. military maintains that actions at the strategic, campaign, and tactical levels "have no clear-cut boundaries and, more precisely, tend to become one and the same thing."

Our campaign commanders' overall quality is good. However, some comrades do not have a strong sense of strategy. This is particularly true in the wake of the reshuffle of leading bodies at all levels in recent years. Some comrades who have been promoted to leadership positions at campaign levels still remain at tactical levels in their actual standards. Thus, what we must now do is to strengthen the following two types of awareness of our campaign commanders. The first is a sense of politics. What this means is to have a good grasp of the political significance and connotation of war from the perspective of the relationship between war and politics. Campaign commanders who do not have a head for politics will not be able to consider strategic issues from a holistic and overall point of view. The second is a sense of space. In an information age, man's ability to open up space is stronger than ever. Many events, disputes, and conflicts that are considered to be of a regional or national nature tend to have global impact. Modern military struggles now bear an obvious global imprint, and local wars that do not have any global implications are nonexistent. This requires that our campaign commanders must have the whole world in mind rather than trying to "visualize the whole animal by looking at one spot of a leopard."

Looking a Bit Further Ahead

The importance of anticipatory thinking in strategic thinking is self-explanatory. "If a man is not far-sighted, he is bound to encounter difficulties in the near future." In recent years, our campaign commanders have done a lot of real work in their efforts to conscientiously grasp the implementation of military strategic principles for the new period. No doubt this is necessary. However, they must guard against being content with the mere

execution of specific tasks, particularly the tendency to become engrossed in day-to-day affairs.

If one looks at the history of warfare, one will see that not all far-sighted strategic ideas come from people who decide on strategies. For instance, Alfred Thayer Mahan, who first forwarded the strategy for the development of the U.S. Navy, was merely a middle-ranking officer. His "Sea Power Theory" set the tune for the U.S. Navy's development and established the basic concepts for modern naval combat and navy building. This strategy was brought into the White House by President Roosevelt and was further developed into a national strategy.

As a result of technological development and the upgrading of weapons, wars are fought at a much faster tempo under modern conditions, and the concept of time in combat command is changing. The concept of "the early stage of war" has virtually ceased to exist in local wars under present-day conditions. The fast thrust forward of the "gear stick" has no doubt increased the responsibility of campaign commanders in forecasting changes in combat developments from a strategic perspective. Limited by maneuverability in the past, the main direction of combat was usually determined before the actual combat and was relatively fixed. In future, the random factor will play an increasingly important role and the "fluidity" of campaign activities will increase dramatically. A campaign commander must be good at predicting the situation and pondering issues from the high plane of the overall strategic picture to organically combine the part with the whole and complete his strategic tasks.

To look a bit further ahead from the high plane of strategies, our campaign commanders must first of all have a sense of the future. In a sense, a soldier's mission is to prepare for the future. Only by keeping the future in mind will he be able to put his strategic thinking into gear while fulfilling his immediate tasks. Second, they must have a sense of adversity. The technical equipment of our army as an army of a developing country is still rather backward, and this situation is unlikely to undergo a fundamental change in the near future. In the face of this situation, if we do not have a strong sense of adversity, we will not have a strong sense of responsibility and enterprise, will not take long-term interests into consideration, and will not be able to win local wars under hi-tech conditions. Third, they must have a sense of planning. The improvement of one's anticipation is often achieved through planning. Here, planning includes analyzing and comparing the situation between the enemy and ourselves to formulate specific measures that will maximize our strengths and exploit the enemy's weaknesses. It also involves the

ability to exercise one's strategic anticipation in times of peace and the strengthening of the reform of tactics and operation methods.

Thinking in Broader Terms

The comprehensive and holistic natures of strategic thinking are closely related but each has its area of emphasis. The holistic nature stresses the potential, while the comprehensive nature stresses the number of factors involved. In the same way, it is entirely possible for campaign commanders to think in an all-round way from a high strategic plane. In September 1945, for example, Commander Huang Kecheng [7806 0344 6134], of the Third Division of the New Fourth Army, learned that the Soviet Red Army had crushed Japan's Kwantung Army. He reckoned that the main forces of the KMT would not be ready to take over and saw an excellent opportunity to open up the strategic base of the northeast. Accordingly, he sent a dispatch to Chairman Mao and forwarded his analysis of the situation and proposed the military principles to be adopted. His views were assigned great importance by Chairman Mao. Within days, the Central Committee adopted the strategic principle of "expanding into the north while maintaining defenses against the south."

In wars fought under modern conditions, the part played by comprehensive factors increases substantially. In addition to factors such as politics, economics, culture, foreign relations, national characteristics, historical traditions, and international environment, the whole battlefield is also becoming more three-dimensional, richer in content, and broader in scope. In particular, the information warfare battlefield is quickly coming our way. This means that the army will have to rely heavily on information tools in its information gathering, overall planning, decisionmaking, operational movements, support, and supplies. Modern warfare's complicated nature not only requires that campaign commanders be well-versed in command at their respective levels, but be really adept at comprehensive strategic thinking.

At present, some of our campaign commanders are lacking in strategic thinking ability. Some are even weak in comprehensive thinking ability at campaign levels. The reasons are twofold. First, they "know" very little. Second, they had little "training." They are only beginning to know the things that they are supposed to know really well. They only have a general idea of things that they are supposed to have the beginnings of an understanding, know virtually nothing about things that they are supposed to have a general idea of, and ask the command post to do things that they are supposed to do themselves. Thus, it is necessary for campaign commanders to make a conscious effort to broaden the

scope of their knowledge. At times of relative peace, training and exercises are basic ways to increase one's comprehensive thinking ability. We must treasure the limited opportunities we have of conducting exercises and do our utmost to achieve the best training results. Technical experts, theoretical experts, and experienced commanders should be organized to discuss essential topics. This is also an effective way to improve one's comprehensive thinking ability.

Being More Creative

Chairman Mao once said that he had read many military writings on battles in the old days, but noted that he would not have been able to forward the strategic principles for China's revolutionary wars had he not put these to creative use. Without a creative mind, the American bourgeois strategist Mahan would not have been able to forward his "sea power theory," and the Italian strategic theorist Giulio Douhet would not have been able to come up with the theory of "domination of the air." Stalin once pointed out: "Strategies may not be able change anything in the objective process of an operation, but in the subjective and conscious aspects of operations, it is quite the opposite: The operational scope of strategies is vast and diverse." This shows that the creativeness of strategic thinking finds expression not only in the formulation of strategies, but mainly in the course of their implementation.

A long period of peace can easily cause us to become complacent; backwardness of weapons and technical equipment can cause some comrades to feel lacking in confidence; and a stable working order is likely to breed passive obedience. However, future wars require greater initiative and creativity on our part. The most active period in history is also the most active period of scientific and technological developments. The drastic development of science and technology produces strategic challenges, and opportunities will only befall those who are mentally prepared. As campaign commanders faced with the opportunities and challenges of the times, creativity is the very link that can inspire you to seize the opportunities before you to develop and improve yourself. This way, you will have the courage to make innovations and work for new means and methods of subduing and defeating the enemy in the face of challenge. If all our campaign commanders always have military strategies and tactics in their creative thinking, our strategic thinking ability will be able to meet the requirements of future wars in no time.

PRC: Military Commission To Reduce Army by 500,000 Troops

HK1707063096 Hong Kong MING PAO in Chinese
17 Jul 96 p A1

[*"Special article"* by special correspondent Liu Tung (0491 2767): *"China to Demobilize Another 500,000 Troops, Organize Modern Picked Troops"*]

[PTS Translated Text for FBIS] According to an authoritative source from the Chinese military, through repeated deliberations and study over the past two years, the Central Military Commission [CMC] has finally decided to cut 500,000 troops from the current 3-million-strong People's Liberation Army [PLA]. At the same time, the army will establish a "picked unit" composed of 500,000 troops.

This is the second large scale action taken by China in troop reduction following the 1 million troops cut by the PLA under the leadership of Deng Xiaoping in 1985.

Reportedly, the CMC had started the study of troop reduction two years ago. Top CMC levels held meetings on numerous occasions to deliberate the plan, which was finalized at the enlarged CMC session held earlier. The plan has been submitted to CMC Chairman Jiang

Zemin for approval and is expected to be put into effect very soon and be completed before the end of 1997.

It has been disclosed that the troops cut at this time are mainly from the PLA's General Staff Headquarters, General Political Department, General Logistics Department, command organs of the military regions, infantry from the ground force, and the artillery. Of the reduced troops, there are 10 reorganized divisions (around 150,000 to 200,000 troops), which will become armed police forces to strengthen domestic public order.

The source said that the current troops cut will strictly follow the regulations on age limit for military officers to retire and on staff establishment.

As a large number of over-aged officers still remained in service and many organs were overstaffed in the past, the number of troops reduced will be far less than 500,000.

The source continued that the current troops cut does not mean a weakening of the PLA's military force. Conversely, it is a change effected by the PLA to adapt to the international environment following the Cold War and an important measure adopted to take the road of "picked troops." After the cut, besides developing the naval and air forces and the strategic missile (the Second Artillery) unit, the PLA will focus attention on establishing a 500,000-strong picked force.

According to the plan, the picked troops, which account for one-fifth of the reduced PLA troops, will take the establishment and training patterns of the foreign armed forces, including U.S. army, as reference, set "sophisticated equipment and quick reaction" as their target, and base themselves on "fighting modern local wars under high-tech conditions in the future." For this reason, the core of the unit will be an independent brigade, a quick reaction unit directly under the CMC.

While discussing the orientation of the PLA's reorganization, Zhang Wannian, vice CMC chairman who is in charge of planning the current troops cut, said that the PLA should be gradually turned into "a crack division" whose "quantity is moderate, structure and establishment are scientific, quality is high, and weaponry is sophisticated, and military theory is advanced." Hence, while implementing the "troops cut policy" since the beginning of this year, the PLA particularly has emphasized the necessity of "applying science and technology to enhance the troops." Based on this guideline, the CMC has decided: Under the conditions that military spending will not increase drastically in the years ahead, the PLA shall use the administrative charges saved to remarkably increase the outlay for research on new weaponry (particularly high-tech electronic weapons), and strive to shorten within this century the gap between the Chinese troops and the modernization of the developed Western nations to around 10 years (the current average gap between the two is over 20 years).

PRC: Commentary Urges Building Strong Army Through Technology

**HK1607055096 Beijing JIEFANGJUN BAO
in Chinese 21 Jun 96 p 1**

[Commentator's article: "A Major Step for Building Up a Strong Army Through Science and Technology"]

[PTS Translated Text for FBIS] The first grand Army specialized technology awards ceremony was held in Beijing today. In a cordial atmosphere, Chairman Jiang Zemin and other leaders of the Central Military Commission met with those who received awards for major contributions in the specialized technology field. This is a major event in the history of our Army. We would like to extend warm greetings to those comrades who received awards.

Giving awards to people who have made major contributions in the specialized technology field is a tangible step toward implementing Chairman Jiang's instructions that "a handsome reward should be offered to intellectuals for making outstanding contributions" and that "a standard awards system should be established." The move will have great and far-reaching significance to

developing our Army's science and technology, making more achievements and training more qualified people, and stepping up military modernization.

Science and technology constitute fighting capacity as well as a primary productive force. Qualified personnel play a key role in building up a strong army through science and technology. With the loving care of the CPC Central Committee and Central Military Commission, our Army has brought up a sizable contingent of scientific and technological personnel. They have waged a hard and dogged struggle, displaying the spirit of fighting to win and selfless devotion, and thus made great contributions to army building. We should, however, be aware that our scientists and technicians still fail to meet the demands of our increasingly expanded military modernization in terms of their number and professional level. So we must make earnest efforts to train qualified people and bring up large numbers of young scientists and engineers while bringing into full play the role of scientific and technological personnel in service. The Central Military Commission's decision to offer awards to those who have made major contributions in the specialized technology field represents a big step toward developing a feeling of respect for knowledge and for talented people army-wide. All levels of leaders and organs army-wide must enhance their awareness of the importance of science and technology; respect and take good care of scientific and technological personnel; and give wide publicity to professional and technical cadres' patriotism, to their spirit of seeking truth from facts and blazing new trails, to their spirit of fighting to win and giving their all, to their enthusiasm for unity and coordination, and to their exemplary deeds in tackling key problems. In this way, every serviceman will study science and technology, apply science and technology, and popularize scientific and technological achievements. Efforts should be made to improve the working and living conditions for professional and technical cadres and to create a favorable working environment for them to give full play to their intelligence and wisdom.

We hope that the large numbers of professional and technical cadres will earnestly study and put into practice the guidelines of Chairman Jiang Zemin's important speech at the awards ceremony, justify the great trust placed in them by the party and people, and make greater contributions to our military modernization.

PRC: PLA Officers Make Historic First Journey to Hong Kong

HK1607064296 Hong Kong SOUTH CHINA MORNING POST in English 16 Jul 96 p 3

[By John Flint and Chris Yeung]

[PTS Transcribed Text for FBIS] The commander of the PLA garrison-in-waiting will today view the territory he is to defend from next July in an historic first visit by a senior Chinese military officer.

Major-General Liu Zhenwu, accompanied by four senior officers, is to arrive this morning as a sponsored guest of the Government Information Services.

The three-day programme will be organised by the British garrison.

The historic visit will include a helicopter tour of the territory and visits to key sites where the People's Liberation Army will be stationed after the handover.

They include Sek Kong army barracks and the navy base at Stonecutters Island. The team will stay at the Purama Hotel.

The PLA team will attend a dinner hosted by the garrison tonight.

They will be joined by senior government officials including Acting Secretary for Security Carrie Yau Tsang Ka Lai, Secretary for Constitutional Affairs Nicholas Ng Wing-fui and Police Commissioner Eddie Hui Kion.

The visit follows an invitation made by the Commander of the British Forces, Major-General Bryan Dutton, in May when he was the guest of General Liu at the PLA garrison's headquarters in Shenzhen.

A garrison spokesman said last night the trip was just a "familiarization" visit. "Because of the short schedule, it won't be an indepth tour of how things work. We hope there will be future contacts for this purpose."

It is also hoped the visit will "establish a professional relationship which will be beneficial as defence issues are discussed during the transitional process," she explained.

Senior government officials dismissed fears of the political sensitivity of such a high-level visit.

"It will be helpful for General Liu to get a better idea and feeling of the community given the importance of his role after 1997," one said.

He said the Governor was involved with the decision to host the visit.

Another official described the trip as "the sensible thing to do", noting there has been a great number of liaison visits across the border in the past two years.

Officials said the handover of military sites has gone on smoothly with no major difficulty.

One said the defence handover programme would not be discussed in detail as it was now being handled by experts under the Joint Liaison Group.

The uniformed delegation is to cross the border early this morning and be taken to Central by RAF helicopter.

At Prince of Wales barracks, they will receive a guard-of-honour from 48 soldiers of the First Battalion Royal Gurkha Rifles.

PRC: Paper Describes Improvements to Army's Logistical Abilities

HK1607011096 Beijing JIEFANGJUN BAO in Chinese 20 Jun 96 p 2

[Report by Wang Deng (3769 6772) and reporter Yang Biao (2799 1753): "Army and the People Closely Cooperate To Raise Capacity for Supply of Materials"]

[PTS Translated Text for FBIS] A materials supply station under the logistics department of Chengdu's Air Force in Sichuan and the Emei Cement Plant, the largest in southwest China, recently officially established a direct supply network of materials at fixed locations. Li Maifu, director of the Logistics Department of Chengdu's Air Force, told reporters that this marked a new system for the collection of supplies in Sichuan.

To adapt itself to the new situation regarding the supply of materials, the logistics department of Chengdu's Air Force sent four investigative teams to more than 20 engineering units to keep abreast of the material supply situation, solicit the Army's opinion on the quality and prices of materials, and find out the characteristics of their supply plan. To promptly supply the Army with quality and inexpensive materials, the logistics department actively conducted explorations and established a new system of bulk purchasing and supply of material at fixed locations, thus significantly raising its capacity for supply of materials.

To ensure the smooth operation of the new system, first, the department focused on information concerning steel, wood, cement, and mechanical and electrical products, gathering the information from more than 20 materials departments and production enterprises, including the Wuhan Steel Works, Kunming Steel Works, and Emei Cement Plant. Second, it established a supply network with the materials department as the hub and with the

materials coordination office and various materials supply stations as the supporting points. Third, it strengthened the cooperative relationship between the Army and the people. By making use of convenient transportation and its location in the provincial capital, the Sichuan materials station established the direct supply network of materials at fixed locations with the Emei Cement Plant to provide a guaranteed supply of cement to the Army. The logistics department of Chengdu's Air Force also established a cooperative relationship with the logistics department of the Chengdu Military Region and other units to meet each other's needs. Last year, the supply station in the Chengdu Military Region provided Chengdu's Air Force with more than 400 tons of steel and 2,000 tons of cement. Fourth, the logistics department adopted the policy of bulk purchasing and direct sales at fixed locations. In line with annual material demand from construction projects, it worked out annual and quarterly material plans, actively raised funds, and made bulk purchases of materials for large projects. Last year, as the renovation project of Chongqing Airport demanded a good supply of cement, the logistics department, which was short of funds, raised more than 7 million yuan itself and placed a single order for 2 million tons of cement with the Emei Cement Plant. The logistics department was given a preferential price of 20 yuan per ton. This item alone saved the unit about 400,000 yuan.

PRC: Circular on Army-People Unity, Support Issued for Army Day

OW1607131196 Beijing XINHUA Domestic Service in Chinese 0624 GMT 7 Jul 96

[FBIS Translated Text] Beijing, 7 Jul (XINHUA) — The Ministry of Civil Affairs and the People's Liberation Army (PLA) General Political Department issued a circular recently calling on all localities and PLA units to carry out solidly various activities around "August First" [Army Day] to further consolidate and develop the excellent situation of mutual unity and support between the army and the government and between the army and the people.

The circular calls for doing a good job in the following respects:

1. In conjunction with the activities commemorating the 60th anniversary of the Red Army's Long March victory, we should, for an educational purpose, thoroughly publicize the tradition of double support [supporting the army and giving preferential treatment to families of army men and revolutionary martyrs, and supporting the government and cherishing the people]. All localities and PLA units should launch various commemorative activities. It is necessary to further deepen our under-

standing of the thinking of strengthening unity between the army and the government and between the army and the people, upheld by the party Central Committee's collective leadership of three generations with Comrades Mao Zedong, Deng Xiaoping, and Jiang Zemin as the core respectively. It is necessary to fully understand the great significance of doing a good, double-support work to winning victory in revolution and to promoting our country's modernization. It is necessary to vigorously publicize the excellent situation of the double-support work in recent years, publicize the advanced models of loving the country and supporting the army and of supporting the government and cherishing the people; create a strong atmosphere of the army cherishing the people and the people supporting the army, and enhance the consciousness of the need to do a good double-support work.

2. It is necessary to emphasize moral, ideological and cultural improvement and carry out in a thorough and down-to-earth way the joint army-people activity of building socialistic spiritual civilization. It is necessary to research on and formulate the plans and measures for thoroughly launching such a joint army-people activity, conscientiously summarize experience, commend good examples in this regard, and promote effectively the joint army-people efforts in building socialist spiritual civilization. The joint army-people activity of building socialist spiritual civilization should be carried out according to local conditions, stress practical results, and fully play an exemplary role in building socialistic spiritual civilization.

3. It is necessary to emphasize practical results, and conscientiously do a good, double-support work at the grass-roots units. All localities should conduct an inspection on the situation of their national defense education, their support to army education and training, their protection of military facilities, and their implementation of the policy of rendering special care to disabled servicemen and family members of revolutionary martyrs and servicemen and the policy of resettling demobilized soldiers. They should solve existing problems, and promote the work of supporting the army and giving preferential treatment to the families of army men and revolutionary martyrs at grass-roots units. PLA units should analyze and examine the situation of implementing policies and regulations and the mass discipline among officers and men. They should look for the weak links and formulate improvement measures. Around "August First," PLA units should set aside some voluntary-work days to do some influential, practical work in a relatively concentrated way for the localities where they are stationed.

4. The army and the people should unite as one, and render full support to the work of preventing floods and combating droughts. PLA units should regard the participation in dealing with emergencies and providing relief as the most practical way of supporting the government and cherishing the people. They should educate officers and men to carry forward the spirit of being valiant and indomitable, fighting continuously, and showing no fear of sacrifice; and to go wherever is in a dangerous state of situation, and fight where there is danger. The governments at all levels in the disaster-stricken areas must help the PLA units do a good job in dealing with emergencies and providing relief. They should be concerned about the production work and livelihood of the families of servicemen and revolutionary martyrs, and of other recipients of special care; and organize efforts to salute the PLA units engaging in combating floods and providing relief.

PRC: Heilongjiang Secretary on Armed Police Work

SK1607095296 Harbin HEILONGJIANG RIBAO
in Chinese 29 Jun 96 p 1

[Written speech by Yue Qifeng, secretary of the Heilongjiang Provincial CPC Committee, at a meeting of the provincial armed police corps to report back on military training achievements on 29 Jun]

[FBIS Translated Text] Comrades:

The provincial armed police corps held a meeting today to report back on its fruitful achievements in the military education and training. On behalf of the provincial party committee and government, I first extend a warm greeting to the successful convocation of the meeting and also extend cordial regards to the officers and men of the armed police forces who are fighting in all parts of the province.

Under the leadership of the Chinese People's Armed Police Force, the provincial party committee, and the provincial government, the Heilongjiang Provincial Armed Police Corps has persistently taken Comrade Deng Xiaoping's thinking regarding the army building in the new age as a guiding principle; exerted efforts to comprehensively attend to the army building according to General Secretary Jiang Zemin's general requirements for "being politically qualified, having a perfect mastery of military skills and fine work styles, and being strictly disciplined and forcefully guaranteed," as well as the guidelines of the party Central Committee, the State Council, and the Central Military Commission's instructions on strengthening the army building; satisfactorily accomplished its duties and tasks for dealing with incidents; and made key

contributions to safeguarding Heilongjiang's social stability and economic development. Particularly in the course of performing urgent, hard, dangerous, and arduous tasks, such as waging the "severe crackdown" struggle in cooperation with public security organs, safeguarding the public order during the "Harbin Ice and Snow Festival," the "Asian Winter Sports Meet," and the "Harbin Trade Fair," supporting the localities' economic construction, and fighting against disasters and dealing with an emergency, the broad masses of officers and men have firmly remembered our army's purpose of serving the people wholeheartedly, devoted themselves to their duties, been willing to make contributions, feared no difficulties, bravely and indomitably worked as faithful guards, and used their actual deeds to foster a good image. Facts prove that the Heilongjiang Provincial armed police corps is the corps which is really up to the mark; politically qualified and well trained; criminals are afraid of; and the masses ardently cherish. The provincial party committee, the provincial government, you are trusted by all people of the province.

The armed police corps, a key armed force of the party and the state, takes on a sacred mission of safeguarding the state security and social stability. Under the accurate leadership of the party Central Committee with Comrade Jiang Zemin's as its nucleus, now, China is politically and socially stable and ensures a sustained and sound development of the economy. Like the whole country, our province maintains a good situation. Following the year 1995 when the province basically put an end to economic fluctuations and went out of the low-ebb period, the province's economic and political situation began to develop along with a good orientation. Through the "severe crackdown" struggle, the public order has noticeably improved. Simultaneously, we should clearly understand that the task for safeguarding the province's social stability is considerably arduous. On the one hand, domestic and foreign hostile forces never stop their destructive activities; on the other hand, the ceaseless deepening of reform will certainly touch on the readjustment of interests of all fronts and will certainly bring about some unstable factors. Under such circumstances, new higher demands for safeguarding the province's social stability and building the armed police forces will be set on the armed police forces. Therefore, the provincial party committee and government have pinned their hopes on you.

First, firmly foster an awareness of being prepared for danger in time of peace and realistically perform the sacred mission of the armed police forces. The armed police forces are the one that should "always

be maintained and used" and should be on duty at any time. The armed police forces should pay attention to the education of their officers and men with functional ability, ceaselessly enhance their awareness of fighting against enemies, always maintain a sharp revolutionary vigilance, and ensure the absolute safety of key targets. In cooperation with public security organs, the armed police forces should positively participate in the "severe crackdown" struggle. They should be ideologically, organizationally, and materially prepared for dealing with various kinds of incidents. They should ensure immediately going into action under the leadership of the local party committees and governments if any incidents take place, ensure appropriately dealing with and putting down as quickly as possible incidents, and ensure satisfactorily accomplishing the tasks.

Second, strengthen ideological and political construction and ensure that the armed police forces be politically qualified. The armed police forces are under the leadership of the party; resolutely observe the command of the party Central Committee, the State Council, and the Central Military Commission; resolutely implement the instructions of higher levels; and ensure a smooth implementation of the government and military orders. The armed police forces are distributed in all parts of the province. So, it is very easy for them to make contact with the dark sides of society; and to be affected by the corrosive ideas from the scenes of feasting and revelry. The armed police forces should vigorously attend to ideological education; persist in the fundamental purpose of the people's armed forces; guide the officers and men to foster an accurate outlook on world, life, and value; ensure that they resist corruption and prevent peaceful evolution; and ensure that they are not attacked by "sugarcoated bullets." We should pay particular attention to the education toward the officers and men with key missions and ensure that they should be politically qualified and firmly safeguard the progress of socialist undertakings.

Third, attend to the military training and strive to upgrade the fighting forces of the armed police forces. The armed police forces, which are directly at the forefront of the struggle against the enemy, must have a perfect mastery of military skills. According to tasks, they should realistically pay attention to the peacetime training, popularize and perfect as quickly as possible successful training experiences and the results from this meeting and ceaselessly upgrade the armed police forces' organizational command ability and overall fighting ability. Meanwhile, they should pay attention to studying the general knowledge of laws and the common sense of public security so as to enable the officers and men to make good use of both the arms

in their hands and the legal weapons and to hold an invincible position in the struggle against the enemy.

Fourth, carry forward the fine traditions and further maintain the close relationship between the army and the government and between the army and the people. Comrade Mao Zedong said: "When the army and the people unite as one, none in the world can conquer us." It is the fine traditions and political advantages of the party and state that unity between the army and the government and between the army and the people should be maintained and that the army-government and army-people relations, which are characterized by the sharing of a common fate and being liked to each other, should be consolidated and developed. These traditions and advantages should ceaselessly be carried forward in the new age. The armed police forces should educate the officers and men to respect the local party and government leaders, positively serve the masses, and do concrete deeds and love the people to win honor for the national emblem. All levels of local party committees and governments should politically cherish the armed police forces, support their work, show concern for their livelihood, try every possible means to help resolve their practical difficulties, and make good use of them.

Comrades: The armed police forces' posts are honorary and their duties are heavy. I hope that you will live up to the ardent expectations of the party and the people, have a perfect mastery of your skills, make contributions to north China, and make new greater contributions to Heilongjiang's reform, development, and stability.

PRC: Police Urged To Learn From Jinan Traffic Police

*OW1607150496 Beijing XINHUA in English
1416 GMT 16 Jul 96*

[FBIS Transcribed Text] Beijing, July 16 (XINHUA) — Police across the country should expand the campaign of learning from Jinan's traffic police, China's "model traffic police corps", to improve their performance, public security officers were told today.

Yang Huanning, assistant minister of public security, made the remark at a national telephone conference on the nine-month "learning from Jinan traffic police" campaign.

He pointed out that the nation's police, especially traffic police across the country, have taken on a new look, and improved their image among the country's people.

The Ministry of Public Security conferred the title "model traffic police corps" on the public servants in Jinan, capital of east China's Shandong Province, last October, for their strict law enforcement, standardized

procedures in directing traffic, and good service they have provided.

Yang noted that the improved performance of the nation's police has resulted in a better law-enforcement environment, as citizens become more co-operative with the police and more law-abiding.

Police across the country should extend the experience of the Jinan traffic police to other areas to improve the performance of the police force as a whole and to better serve the people, the assistant minister said.

PRC: State Uncovers 1,000 Commercial Crime Cases in 6 Months

OWI107013796 Beijing ZHONGGUO XINWEN SHE in English 2312 GMT 16 Jul 96

[FBIS Transcribed Text] Beijing, July 16 (CNS) — The State Administration for Industry and Commerce (SAIC) has announced that over 1,000 serious commercial crime cases have been uncovered by authorities between January and June this year. The cases all involve over RMB [renminbi] 1 million and were detected as a result of a tougher degree of law enforcement.

One of the biggest cases involved the fraudulent sale of computer screen filters in 22 cities in seven provinces. The criminals, operating in seven provinces, were believed to have obtained RMB 100 million by cheating.

In Guangdong, the local authorities have uncovered two cases of illegally assembling a total of 507 motor vehicles worth RMB 68 million and in Beijing, industry and commerce administrative officers seized 130 undeclared vehicles shipped from abroad with an overall market value of over RMB 20 million.

In Shenyang, local industry and commerce officers seized 8,000 packs of inferior pesticide said to be imported from Japan which could have caused damage to crops.

Officials of Wenzhou Industry and Commerce Bureau have successfully cracked down on a private firm that had allegedly used stainless steel contaminated with radioactive material to manufacture medical equipment, therefore stopping 200,000 harmful syringes from being sold to the public.

A senior official of SAIC said that further operations would be conducted to combat such illegal activities.

PRC: Xinjiang Holds Public Security Bureau Chief Meeting

OWI1607111896 Urumqi Xinjiang Television Network in Mandarin 1330 GMT 12 Jul 96

[From the "Xinjiang News" program]

[FBIS Translated Text] The two-day meeting attended by heads of public security bureaus concluded today. Public security bureau heads and political science and law commission secretaries of all prefectures, cities, and production corps units, totaling more than 80 people, attended the meeting. Li Hongzi, member of the regional party committee standing committee and secretary of the regional political science and law commission, attended the meeting and gave a speech. The meeting relayed the spirit of the national meeting on further carrying out the strike-hard struggle in depth and improving the comprehensive management of public security at the grass-roots level.

Since the beginning of the strike-hard struggle, this region has cracked a number of serious criminal cases, arrested a number of criminals at large, and effectively checked violent crimes and maintained the region's political and social stability.

During the meeting, Chen Jinchi, director of the regional public security department, was interviewed by this reporter on how to consolidating the achievements of the struggle on the previous stage and carrying out the third campaign of the strike-hard struggle.

Chen Jinchi said [begin recording]: We have carried out two rounds of strike-hard actions and have achieved good results. The most important point is that we should further mobilize the masses in depth and further take action to crack more serious and major criminal cases by conducting effective investigations. We will catch more criminals at large and will restore law and order in some areas where crime used to be serious by destroying criminal gangs there. At the same time, we will improve the comprehensive management of public security at the grass-roots level, and effectively prevent crimes while crackdown is carried out. This will further consolidate the achievements of the strike-hard struggle and carry out the struggle in depth. [end recording]

PRC: Xinjiang Strengthens 'Strike-Hard' Anticrime Campaign

OWI1607132496 Urumqi Xinjiang Television Network in Mandarin 1330 GMT 15 Jul 96

[From the "Xinjiang News" program]

[FBIS Translated Text] [Video shows criminals being escorted to a public meeting held in the open air and

then paraded on trucks; criminal Meng Ding in handcuffs; public display of stolen goods] Localities in Xinjiang continue to step up the anticrime "strike-hard" struggle. The intermediate court of Changji Hui Autonomous Prefecture recently held a public meeting in Manas County to announce the sentences for (Ma Jieming), (Shataer), and 19 other criminals who were involved in the prefecture's largest livestock theft in recent years. From 1991 to 1994, the gang of 21 burglars, headed by Ma Jieming, Shataer, (Zhayizhada), and (Haha.), successively committed 58 thefts in pastoral regions in Manas and Shawan counties and Shihezi City, stealing more than 500,000 yuan worth of livestock. The Changji prefectoral people's court, in accordance with the Criminal Law and the region's decision to severely punish those who seriously sabotage the economy, handed down death sentence for Ma Jieming and Shataer, death sentence with a two-year suspension for Zhayizhada and Haha, and prison terms for the other 17 criminals.

Urumqi City's Shaju Police Unit recently solved a large robbery and murder case, and arrested the murderer (Meag Ding). On 20 December 1995, an unusually large robbery and murder case occurred at Xinjiang Construction Machinery Plant. Meng Ding and three other criminals killed and stole over 20,000 yuan, two jewel rings, and a pager from (Zheng Shuqing), manager of Urumqi City's Xinjiang Oils and Grains Trading Company. The four criminals escaped after committing the crime. After six months of investigation with the coordination of the railway public security bureau, the Shaju Police Unit arrested the major suspect Meng Ding, who confessed how he committed the crime with (Wu Hongwei) and the others. The case is now on trial.

In the course of strengthening the "strike-hard" campaign, various departments of the Yanqi County upheld

the principle of striking at criminal activities severely and swiftly. To date, the county has cracked many criminal cases and arrested a group of criminal elements. Besides, the county seized the favorable opportunity in the course of cracking down hard on crimes to efficiently bring about comprehensive control of public order. The county held activities to promote a crime-free and honest administration as well as the prevention of major accidents due to negligence. The county has continued to consolidate its achievements in the "strike-hard" campaign.

PRC: Big 'Ice' Case Cracked in Fujian
OW1607153896 Beijing XINHUA in English
1455 GMT 16 Jul 96

[FBIS Transcribed Text] Fuzhou, July 16 (XINHUA) — Police in southeast China's coastal Fujian city of Zhangzhou recently arrested two drug dealers from Taiwan and confiscating 204 kg of "ice", a cocaine derivative.

Local police say that it is the city's biggest Taiwan-related drug case since 1949.

Liu Yingxie, one of the two arrested had been detained four years ago by police in Zhangzhou for involvement in a firearms trafficking case, and was caught openly this time.

Police found 13 packages containing "ice" in his vehicle, while he was on his way to Huizhou, in south China's Guangdong Province, at 4:15 pm on June 13.

Chen Zhiming, Liu's accomplice, who was arrested later, revealed to police that the drug's final destination was Taiwan.

General

PRC: Minister: State To Strictly Control Second-Half Expenditure

**HK1707071096 Beijing CHINA DAILY in English
17 Jul 96 p 1**

[By Tong Ting: "Revenues Up, Expenditures To Be Strictly Controlled"]

[PTS Transcribed Text for FBIS] China's financial revenue maintained a high growth rate in the first half of this year, while expenditures have been effectively brought under control in that period, Finance Minister Liu Zhongli told a national conference on finance yesterday in Beijing.

Between January and June, the nation's fiscal income registered a growth of 17.7 per cent over the corresponding period of last year. The revenue collected by the central government rose 7.5 per cent, while local government revenues climbed 28.3 per cent.

Expenditures during the period saw a 15 per cent increase. The central government's expenses grew 5 per cent, while those of local governments soared 19.9 per cent.

Liu said that despite good financial conditions, some problems in budgetary enactment demand immediate attention.

The increase in financial expenditures in the first half of this year surpassed the budget figure by 5 percentage points, he said.

He also noted that there are serious delays in tax payment by enterprises, and a continuing decline in enterprises' profits.

"It is a difficult task to fully implement the budget this year," Liu warned.

He urged financial sectors at different levels to continue a moderately tight fiscal policy in the second half of this year.

Fiscal sectors are required to help enterprises strengthen management and raise profits, heighten the value of State assets, and participate in the experiment of creating a modern enterprise system.

He listed supporting agricultural production as an important task in the coming months this year, urging financial institutions to guide capital input to that sector.

He also called on fiscal institutions to collect all taxes payable and to crack down on tax dodgers.

No provincial authorities, units or officials are allowed to provide for tax exemptions or for reductions or delays in tax payments.

Meanwhile, the State will strictly control expenditures in the second half of this year, Liu said. Except for the relief of natural disasters, the government will not increase State expenditures.

He said to strengthen the management of unbudgeted income and to readjust the accounting system are two major tasks in the remaining months of this year.

PRC: Li Tieying on Revitalizing Small Enterprises

**OW1407142396 Beijing LIAOWANG in Chinese
20 May 96 No 21, pp 4-7**

[("Special Article" by staff reporter: "Comrade Li Tieying on Emancipating the Mind, Carrying Out Reform Boldly, and Further Reinvigorating Small Enterprises")]

[PTS Translated Text for FBIS] In line with the central authorities' strategic arrangement on "running well the big and reinvigorating the small," China has made big strides since last year in the reform of small enterprises, including state-run small and collective enterprises. However, there still exist different views on the significance and implementation of the small enterprise reform. During the "two conferences," small enterprise reform was also among the delegates' major concerns. In his recent important speech made in Changsha, Li Tieying, member of the CPC Central Committee Political Bureau and director of the State Commission for Economic Restructuring, dwelt on issues concerning the small enterprise reform from the following six aspects:

The Position and Roles of Small Enterprises in the National Economy Allow No Neglect

China has a large number of small enterprises, which are extensively dispersed in such fields as industry, commerce, the building industry, transportation, and the service industry. Take industrial enterprises for example. There are about 530,000 industrial enterprises at the township level and above around the country, of which 13,700 are state-run large and medium enterprises; about 20,000 are non-state-run large and medium enterprises; while small enterprises account for the remaining over 96 percent.

Except for a few large ones, the majority of collective enterprises are small, which constitute an important part of small enterprises not to be overlooked. As of 1994, the collective industry's output value had made up 40.9 percent of the country's total industrial output value; and the number of township and town collective enterprises approached 1 million, employing a workforce of 32 million, 25 percent of the country's total number of township and town workers and staff.

In addition, the labor service enterprises China has established in large numbers since the seventies also belong to the ranks of small enterprises, which have provided jobs for 21 million people over the past 17 years. In the recent several years, these labor service enterprises have steadily maintained their total employment volume at 1 million each year. In some provinces and cities, labor service enterprises have become a main employment channel.

One can easily see from the statistics cited above that small enterprises have their unique advantages and are playing irreplaceable roles in ensuring tax revenue, earning foreign exchange, expanding the scope of employment, enlivening the market, improving the people's living standards, and stabilizing society. Therefore, we should not have any prejudice against small enterprises.

The modern economy does not repel small enterprises, for the latter constitute the majority of enterprises of every country and absorb the largest number of laborers. During their economic development process, many economically advanced countries, including the United States, Japan, and Korea, have seen the coexistence of a minority of large-scale monopoly enterprises and a large number of medium and small enterprises, and small enterprises in all these countries make up 80 percent and above.

It can be said that during the entire historical period of developing a socialist market economy, small enterprises will play a major part in strengthening public ownership, promoting economic development, safeguarding social stability, and bringing about common prosperity to our people.

"Running well the big" and "reinvigorating the small" are two aspects of one issue, which supplement each other. With a number of large-scale enterprises and enterprise groups, we can better display the country's economic strength, effectively bring along a large number of small enterprises to attain a healthy development, and enjoy more room for readjusting extremely difficult enterprises; meanwhile, through expanding the scope of opening up and invigorating themselves, small enterprises can not only set up and form enterprise groups that provide streamlined services for large enterprises and are engaged in specialized production and operation; but can also absorb more laboring forces, enliven the market, and ease the burdens of large enterprises. Therefore, while paying close attention to the operation of a number of large enterprises and enterprise groups, we must also study and find solutions to problems facing the reform of small enterprises, for poorly run small enterprises will be a drag on the entire reform.

The Party Central Committee and the State Council Have All Along Paid a Great Deal of Attention to the Reform of Small Enterprises

Over the past 17 years of reform, the party Central Committee and the State Council have promulgated a series of policies aiming at reinvigorating small enterprises. In as early as the eighties, the state forwarded policies to reinvigorate small enterprises by way of contractual operations, leasing, sell-out, or merger into joint stock partnership.

In the wake of the 14th party congress and the Third Plenary Session of the 14th CPC Central Committee, and with the country's enterprise reform entering a new stage marked by a shift from policy-related readjustments to structural renovations, the party Central Committee and State Council have attached greater importance to the reform of small enterprises, and have adopted a series of measures to guide small enterprises to change their operating mechanism and make structural renovations.

The Third Plenary Session of the 14th CPC Central Committee "Decision" pointed out: "As for small-scale enterprises of a general nature, some can practice contractual and leasing operations, some can be reorganized into joint-stock cooperative enterprises, while others can be sold to collectives and individuals." "Existing township and town collective enterprises also need to rationalize their property right relations, and be reorganized into joint-stock cooperative or joint-stock partnership enterprises, as their specific circumstances permit. Those with the necessary conditions can also be turned into limited liability companies. A small number of large-scale enterprises with sound economic efficiency can be reorganized into joint-stock limited companies or enterprise groups."

The Fifth Plenary Session of the 14th CPC Central Committee "Proposal" reiterated the needs to "accelerate the pace of reorganizing and reforming state-run enterprises by way of reorganization, association, merger into joint stock partnership, leasing, contractual operations, or sell out, as their specific circumstances permit." Meanwhile, the "Proposal" also stressed the need for a vigorous development of the collective economy.

Comrade Jiang Zemin has all along set great store by the reform of state-run small and collective enterprises, and has given important instructions on many occasions. In his speech at symposiums for enterprises respectively held in Shanghai and Changchun in May and June 1995, he pointed out the need to "accelerate the reform of state-run medium and small enterprises, change their operating mechanisms, and set up and give shape to enterprise groups that provide streamlined services for large

enterprises and are engaged in specialized production and operation. We should further lift the control over small enterprises of a general nature; and reinvigorate them by way of merger, association, or leasing, by way of reorganization into a joint-stock cooperative system, or by way of sell-out." In his important speech at the Fifth Plenary Session of the 14th CPC Central Committee in September 1995, he once again pointed out the need to "study and formulate the development strategy and setup of the state-owned economy, actively promote the reform of state-run enterprises in line with the target of establishing a modern enterprise system, concentrate forces to run well large-scale state enterprises, and further decontrol and reinvigorate small state-run enterprises of a general nature. All state-run enterprises are required to reinforce their internal management and pay close attention to fundamental work. As a major component of the public-owned economy, the collective economy in urban and rural areas enjoys a great future and should therefore be promoted with vigorous efforts. Collective enterprises should also deepen reform constantly, and actively create necessary conditions for the establishment of a modern enterprise system." In a speech at the December 1995 Central Economic Work Conference, he made detailed expositions on the status and roles of state-run small enterprises, the reform pattern of small enterprises, and issues that merit attention: "As a major component of the state-owned economy, small state-run enterprises are playing an irreplaceable role in developing the market, serving the people, and creating new jobs. We should further decontrol and reinvigorate small enterprises, so that they can play a better role in enlivening and developing the entire economy. In our efforts to decontrol and reinvigorate small state-run enterprises of a general nature, we should suit measures to local conditions as their specific circumstances permit; reinvigorate small enterprises by way of reorganization, association, merger, joint-stock cooperation, leasing, contractual operations, and sell-out; and avoid rigid uniformity. In dealing with insolvent enterprises that are plagued by their unmarketable goods and see no hope of reducing losses and increasing profits, we should take resolute steps to practice bankruptcy and merger. The process of decontrolling and reinvigorating small enterprises is one of deepening reform, and we should by no means wash our hands of the business once control over small enterprises is lifted. The purpose of decontrolling and reinvigorating small enterprises is to enable them to do better. To this end, we should take earnest steps to reinforce leadership, conscientiously implement relevant state laws and policies in an orderly way step by step, guard against the practice of rushing headlong into mass action, avoid losses of state-owned assets, and integrate the reform of small enterprises with

structural optimization and enhancement of managerial standards."

Comrade Li Peng has also made many important remarks on the reform of small state-run and collective enterprises. He pointed out in his speech at the Fifth Plenary Session of the 14th CPC Central Committee in September 1995 that: "We should accelerate the pace of reform and reorganization of small state-run enterprises by way of reorganization, association, merger, joint-stock cooperation, leasing, contractual operations, and sell-out, as their specific circumstances permit. Particularly, control over county-level enterprises can be more relaxed. By reinvigorating the small, we can concentrate our attention on running well the big and bring greater vitality to the entire national economy. We need to pay special attention to defining and assessing the value of state assets in large, medium, or small state enterprises during the reform; conscientiously reinforce assets management; and adopt earnest measures to avoid any loss of state-owned assets." In the Government Work Report he delivered at the Fourth Session of the Eighth National People's Congress held in March 1996, Li Peng further pointed out the need to "reinvigorate small state-run enterprises by way of reorganization, association, merger, joint-stock cooperation, leasing, contractual operations, and sell-out, as their specific circumstances permit. Judging from the practice of a number of localities, after going through reform and reorganization, the majority of small state-run enterprises still belong to the state-owned economic or collective economy, which can be regarded as the public-owned economy in different forms. Only a minority will be sold to the private economy or individuals." "We should vigorously promote the reform and development of the collective economy, which constitutes a major part of the public-owned economy."

From this we can see that the party Central Committee and State Council have attached great importance to the reform of small enterprises. In line with party and state requirements, we should have a greater sense of urgency, and seize the opportune moment to make a success of this important reform.

Adding Greater Weight to the Reform of Small State-Run Enterprises Is a Major Component of Our Efforts To Invigorate the Entire State-Owned Economy

Over the recent several years, many localities have emancipated their minds, engaged in bold practice, devoted great efforts to the reform of small state-run enterprises, created many good methods, and accumulated rich experience. These include Zhucheng, Shandong Province; Shunde, Guangdong Province; Bin-

ian County, Heilongjiang Province; and Yibin, Sichuan Province. All these localities have achieved remarkable results in the reform of small state enterprise; and the major forms they have adopted include reorganization, association, acquisition, merger, trusteeship, joint-stock system, joint-stock cooperation, leasing, contractual operations, commission operations, Sino-foreign joint operations, and sell-out. For example, Zhucheng created through exploration seven different ways for changing the operating mechanism of enterprises. With a changed operating mechanism, 32 enterprises directly under the city authorities have entered the market on their own decision, and are operating under a relaxed environment; and none has become a loss-maker. The different forms and ways adopted by different localities across the country for "decontrolling and reinvigorating" small state-owned enterprises can be summarized into two major categories: The first category includes forms involving no changes in the property right, such as association, contractual operations, leasing, trusteeship, and commission operations; while those in the second category involve the change of property rights, including acquisition, merger, joint-stock system, joint-stock cooperation, and sell-out. Over the recent period, there have been diverse views on a number of issues concerning the reform that involves change of property rights. These mainly include the issue of ownership, the public-owned system's dominant position, and the loss of state-owned assets. At present, what is crucial for us is to further emancipate the mind, seek unity in thinking, make bold explorations, and have the courage to participate in practice. We should boost our courage and quicken our steps.

There is no inexorable law between the nature of ownership and the ownership economy's realization form. A same ownership pattern can be realized in different forms, while ownerships of different natures can also adopt a same realization form. Comrade Jiang Zemin explicitly pointed out in his important speech at the Fifth Plenary Session of the 14th CPC Central Committee: "Upholding public ownership's dominant position is a fundamental principle of socialism, and also a basic sign of the socialist market economy of our country." During the reform of small state-run enterprises, we should no doubt mainly rely on public ownership and practice no privatization, and this is the principle that we must adhere to unwaveringly. However, public ownership can be realized through different enterprise organizational forms, which include public ownership realization forms that suit both the highly centralized planned economic system and the socialist market economic system. To judge the effectiveness of the concrete realization forms of public ownership, we should first see if they can give impetus to the development of productive forces. The

reform we are now engaged in is not aimed at changing the nature of public ownership, but at changing the resource distribution patterns and enterprise organizational forms that took shape under the highly centralized planned economic structure. The organizational and operating forms of enterprises are both means, not the aim; therefore, there is no question here as concerns the nature of "capitalism" or "socialism." Corporation system, contractual operations, leasing, trusteeship, commission operations, merger, acquisition, sell-out, and joint-stock system are all means, which can be adopted by both the private system and public ownership. China has a large number of state-run enterprises, which vary in size, type, trade, and status; and the state also has varied expectations on and has set different requirements on the operating targets of different enterprises. All these have determined the inexorable diversity of the state economy's realization forms. What we need to reform is the structure and mechanism of small enterprises, and our aim is to find effective realization forms for public ownership that suit the socialist market economy and can bring rapidly develop productive forces. Without reforming the public ownership's realization form known as "large in size and collective in nature," we will find no way to adapt ourselves to market economy needs, and will only end up in hindering the development of productive forces and deviating from the socialist orientation. To create a higher efficiency and more beneficial results, the public ownership economy should adopt all the microcosmic realization forms that have proved successful and effective by practice under market economic conditions.

Ownerships reflect a kind of production relation, and is the concept of political economy. The ownership of means of production finds expression in the ownership right. As a civil right, the ownership right refers to the right of assets owners to possess, use, benefit from, and deal with their own assets. State-owned assets emerge from the state's investment behavior, and are owned by the state. However, since the injection of state capital into tens of thousands of enterprises can by no means be fulfilled by the state in a centralized and unified way but can be realized by governments at all levels respectively upon authorization, governments at all levels will mean the state property investors in the eyes of their affiliated enterprises. The legal right enjoyed by governments over the enterprise assets they have invested in is called the property right. In enterprises with numerous contributors, the property right takes the form of the stock right. Generally speaking, since contributors invest the assets that belong to themselves, the ownership and property rights come from the same main body. However, because state-authorized investment organs acting as contributors

usually invest with assets that belong to the state, the state will constitute the main body of the ownership right while governments at all levels, the main body of the property right. Therefore, ownership and property rights can come from different main bodies, and can also be separate.

By separating the ownership right from the property right of state-owned assets, we can establish numerous investment main bodies with relative interests within the state economy. Such a practice can help the property right of state assets enter the market, realize the flow and reorganization of the property right, and give rein to the market's role as a foundation in resource allocation and distribution under state macrocontrol. Capital is the value form of assets; and capital circulation is a basic way to preserve and increase the value of state assets, which embraces association, acquisition, merger, sell-out, and bankruptcy. All these are means for realizing the flow and reorganization of assets, as well as ways for allocating and distributing resources; and can be used by both capitalism and socialism. Full use of these forms in the reform of small state-run enterprises can help realize allocation and distribution and optimize the structure of state assets, readjust the state-owned economy's setup, give impetus to state assets in their shift toward fields with high efficiency, and bring about changes to the economic growth pattern. State assets can preserve and increase their value in circulation. It is true that we may sometimes suffer losses; yet without flow or reorganization, state assets will lose vitality, suffer natural depreciation, and even use up the whole fortune, and this will be the biggest loss.

It has been clearly defined that the ownership right over state enterprises' assets belongs to the state, and will be exercised by the State Council in a unified way. However, when it comes to every state enterprise, confusion tends to arise over issues as who is the actual contributor and who has responsibility for the value preservation and increase of state assets in this sector. By clearly defining the property right, we do not mean to carve up state assets or quantize state assets down to individuals, but to identify investment main bodies, clarify the contributors of state assets, and strive for tangible results in preserving and increasing the value of state assets. It can be said that failure to clearly define the property right will lead to egalitarianism and the practice of "everybody eating from the same big pot"; as a result, we will be faced with chaotic accounts, and state assets will suffer a big loss.

The practice of mainly relying on public ownership means, in its entirety, that both state and collective assets will occupy a dominant position in society's total assets. This practice can be varied in different regions or

industries. Some localities and trades can have a greater reliance on public ownership, while others are allowed to rely less on the public ownership. We should not get alarmed about the situation wherein certain localities rely less on public ownership; instead, we should learn how to view issues as a whole and make a sound analysis on total demand and supply.

The state-owned economy dominant role is embodied in the midst of market competition. Only by actively participating in market competition can we constantly arouse our vigor and make ourselves stronger and more prosperous. The state-owned economy should not give prominence to itself by restricting the development of other economic elements, but should strive to achieve greater vitality and faster development than other economic elements through market competition.

The state-owned economy's dominant role is determined by the quantity of the state-owned economy, and more importantly, by the distribution structure and quality level of the state-owned economy. The dominating role of state assets will not be weakened so long as they hold in their hands the economic lifeblood of the nation's economy and the people's livelihood. Even in these trades and industries, we do not see the need for retaining 100 percent of state capital, and can therefore allow the entry of non-state capital. Through controlling and buying shares, state capital can double the size of actual assets under actual allocation, and give form to new advantages of the state-owned economy.

By developing the practice that state capital controls and buys shares, the state-owned economy will gradually develop diversified realization forms; and will make more use of such organizational forms as solely state-invested companies, joint-stock limited companies, limited liability companies, and joint-stock cooperative system. In this way, we can easily determine an appropriate proportion of state capital for different industries according to their different positions in the national economy.

Vigorously Promoting the Collective Economy Is a Major Policy for Maintaining and Consolidating Public Ownership's Dominant Position

It has been pointed out in the 1984 "CPC Central Committee Decision on Economic Restructuring": "The collective economy is a major component of the public-owned economy; and, therefore, we can boldly rely on collectives to carry out our production and construction undertakings in many fields."

Comrade Jiang Zemin pointed out in his important speech at the Fifth Plenary Session of the 14th CPC Central Committee: "As a major component of the public-owned economy, the collective economy in urban

and rural areas enjoys a bright future and should therefore be promoted with vigorous efforts."

PRC: Commentator on Pushing State Enterprise Reform

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4 Jul 96 p 2**

[Commentator's article: "Unswervingly Push Forward Reform of State-Owned Enterprises—Earnestly Study and Implement Comrade Jiang Zemin's Important Speech"]

[PTS Translated Text for FBIS] This paper today carries in full Comrade Jiang Zemin's speech in May at the forum on enterprise reform and development in Shanghai, Jiangsu, Zhejiang, and Shandong. It is entitled "Strengthen Confidence, Improve Leadership, Have a Firm Grip on Implementing Policies, and Accelerate the Pace of Reform and Development of State-Owned Enterprises." Standing on the high plane of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the party's basic line and taking the establishment of a socialist market economy as a target, Comrade Jiang Zemin has, in this important speech, profoundly analyzed and expounded the great significance of accelerating the reform and development of state-owned enterprises and, at the same time, given a systematic view on how to further accelerate this reform in terms of combining theory with practice. It is of great historic and practical significance in promoting and guiding the state enterprise reform so that it can advance continuously and quicken its pace.

The party Central Committee and the State Council have always attached importance to the state enterprise reform, giving it prompt and correct guidance. In May and June last year, Comrade Jiang Zemin made an inspection tour of Shanghai, Jiangsu, Zhejiang, and the three northeastern provinces, where he delivered important speeches, expounding the predominant position and the central role of state-owned enterprises in the national economy, as well as the decisive role of making a success of the reform of state-owned enterprises in establishing a socialist market economy. At that time, the experiments in establishing a modern enterprise system in state-owned enterprises had just started, and Comrade Jiang Zemin's important speech played an important guiding role in helping people gain a full, accurate understanding of the special feature of the modern enterprise system; i.e., "the property rights and responsibilities of the enterprise are clearly defined, the functions of the government are separated from those of an enterprise, and the enterprise is managed in a scientific way." His speech also helped people grasp the correct orientation of the enterprise reform.

Over the past year, with the constant deepening of the state enterprise reform, we have attained initial successes in experimenting on a modern enterprise system. Meanwhile, the reform has also faced new, deeper-level contradictions and difficulties. Only by further quickening the pace of state enterprise reform will it be possible to more satisfactorily promote national economic development, achieve "two fundamental changes," and thus fulfill the Ninth Five-Year Plan and the objectives for the year 2010. At this very crucial moment, Comrade Jiang Zemin again made an important speech in May. He not only fully affirmed the position of state-owned enterprises and the great significance of speeding up reform but also made a more integrated and systematic exposition of the orientation, policies, and principles of enterprise reform, as well as various other issues, such as encouraging exploration and strengthening leadership. From Comrade Jiang Zemin's important speech, we can see that the party Central Committee and the State Council are fully confident of—as well as firm and unshakeable in—reforming state-owned enterprises. We can also see that the reform of state-owned enterprises has not only a correct orientation but also clear details, well-defined criteria of right and wrong, and more concrete methods of implementation. By earnestly studying and comprehensively implementing the spirit of this talk, we can certainly overcome difficulties and march continuously in enterprise reform.

The key to quickening the pace of reform lies in correctly grasping and conscientiously implementing the basic principles for state enterprise reform. In his speech, Comrade Jiang Zemin expounded in detail eight basic principles for this reform. These principles not only point out that the establishment of a modern enterprise reform is the orientation of the state enterprise reform but also stress that the modern enterprise system in which public ownership plays the predominant role is the foundation of a socialist market economy; they not only spell out the need to carry out structural innovations in state enterprise reform but also point out the need to combine reform with reorganization, transformation, and stepped-up management, to develop an efficiently running microfoundation, and to aim to improve the entire state-owned economic sector and introduce a strategic reshuffle to state-owned enterprises; they not only point out the need to wholeheartedly rely on the working class, earnestly strengthen internal management, and speed up the change of operation mechanism in the course of deepening reform but also stress that we should coordinate and carry forward all supporting reforms so as to provide a necessary external environment for the reform of state-owned enterprises; and they not only point out the need to take the public-owned economic sector as a dominant factor but also

stress the need to promote common development of multiple economic sectors in order to create an environment and condition for equal competition. As a scientific summation of the practical experience gained in enterprise reform and development over the past dozen and more years, the eight basic principles not only conform to China's national conditions but also embody the essence and special feature of socialism, the law governing the market economy, and the requirements of modern mass production. They are important principles that we must observe in continuously deepening enterprise reform and accelerating the development of state-owned enterprises.

Since our reform has no precedent, we need to make bold explorations. The establishment of a modern enterprise system in which public ownership plays a predominant role and the speedy reform of state-owned enterprises are even a unique event. Only by constantly emancipating the mind, renewing concepts, and making bold explorations can we make constant breakthroughs in reform, overcoming one difficulty after another. Since the start of reform and opening up, the party Central Committee and the State Council have always advocated the need to encourage exploration, respect practice, and make constant summing-ups. In this important speech, Comrade Jiang Zemin has once again stressed the need to seek truth from facts and carry out bold experiments and explorations. We will accomplish nothing by waiting. Here, the key to carrying out bold experiments and explorations lies in making further efforts to emancipate the mind and change concepts. Not only should we change the old concepts developed during the planned economy but we should also change the outdated concept of getting accustomed to staying at a certain period or stage of the reform. This way, our understanding can keep pace with the developing and changing reform situation. It is also necessary to overcome the narrow concept of judging right and wrong in the light of departmental or personal interests and look at issues from the high plane of national and overall interests. Only in this way can we have a correct understanding of reform, support bold explorations in the course of reform, and respect the reform practice and experience of the people in their hundreds of millions.

The reform of state-owned enterprises is a complicated social engineering project. In the course of the reform, there are numerous relationships to be handled and, in the course of establishing a modern enterprise system, there are many deep-level contradictions to be solved earnestly. In the course of explorations, many new ideas and practice about the reform emerge in various localities. How should they handle and judge right and wrong, gains and losses? When discussing the major principles

for state enterprise reform, Comrade Jiang Zemin explicitly pointed out we should use the "three beneficials" put forward by Comrade Deng Xiaoping as criteria for judging right and wrong, gains and losses in reform, opening up, and all aspects of work. He also stressed that only on this basis can we genuinely unify our understanding and can the enterprise reform have a correct orientation and constantly deepen. In the course of the reform, in many cases it is often hard to distinguish between right and wrong if we consider something in isolation or out of context, but it is easier to reach the correct conclusion if we take the "three beneficials" as criteria. The "three beneficials" are not only the criteria for judging right and wrong, gains and losses in reform, opening up, and all aspects of work but they should also be a powerful motive force and weapon to continuously emancipate the minds and change the concepts. Comrade Jiang Zemin has also spelled out in four concrete aspects the principle of the "three beneficials" for judging the effect of state enterprise reform. They are enterprise decision-making status; economic returns and market competitiveness, and preservation and increase of state asset value; initiative of enterprise staff members, workers, and managerial personnel and display of the role of enterprise party organization as a political core; and promotion of national economic development. These criteria, which are both concrete and real, can easily be grasped. If we uphold these criteria, we can better unify our understanding, conscientiously carry out the series of reform principles, policies, and measures, and solidly promote reform.

With the constant deepening of state enterprise reform in recent years, we have basically identified some focuses and straightened out some difficult points, and some state-owned enterprises have thoroughly remolded themselves and grown stronger in the midst of market competition, thus making contributions to the invigoration of the national economy. But deeper-level problems—such as system, structure, and management—remain, and we should not lower our guard. To earnestly study and implement the spirit of Comrade Jiang Zemin's important speech, party committees and governments at all levels should conscientiously place the work of promoting state enterprise reform in a conspicuous position and set up authoritative leading bodies to strengthen leadership and guidance over the reform and promptly resolve some major problems. The departments involved in the reform should take the initiative to coordinate actions and speed up various supporting reforms and the separation of government functions from those of enterprises. Let us study the speech well, unify our ideas, and unswervingly carry out the basic principles of the central authorities on state enterprise reform in

order to make our due contributions to accelerating the reform and development of state-owned enterprises.

*PRC: Commentator on Financial Laws
96CEO314C Beijing JINRONG SHIBAO in Chinese
6 May 96 p 1

[Article by Unidentified Reporter of JINRONG SHIBAO: "Place Emphasis on Law and Discipline, Fundamentally Guarantee to Smooth Financial Operation"]

[FBIS Translated Text] To place emphasis on law and discipline is an important component part of the "four emphases and one service" activities. To place emphasis on law discipline means that various financial institutions and their employees must observe laws and regulations, and try their best to avoid risks in carrying out financial work. While exercising self-restraint, they must manage the financial institutions and carry out their financial operations according to law. Placing emphasis on law and discipline is fundamentally aimed at improving financial order and ensuring a smooth financial operation and the legality of all financial activities. To understand how to place emphasis on law and discipline and consciously act according to law and discipline is not only a basic guarantee to maintain a sustained and sound financial development, but also a basic condition for all financial units and their employees.

To strengthen the legal system in the financial sector and carry out financial operations according to law is a rigorous requirement in building the socialist market economy with distinctive Chinese characteristics. Market economy is economy in legality. The experience of developed nations has already proven that a relatively smooth-running market economy is definitely protected by a comparatively sound legal system. In developing various market activities, maintaining market order, strengthening links of the national economy, and cementing economic ties with other countries, we all need to apply the relevant laws and regulations to provide guidance and standardize the necessary procedures. As compared with administrative means, legal means are more specific, unified, stable, and enforceable. It manifests the inherent requirements and law for fair competition in the development of the market economy. To strengthen the legal system in the financial sector is something important in legalizing the market economy. In 1995, the "four laws and one decision" including the "Law on the People's Bank of China" were promulgated one after another, forming the main frame of the financial legal system. This legal system has epitomized the tremendous achievements in reforming and developing China's financial circles, summed up a large amount of

historical experiences, and manifested the requirements in establishing a financial system suitable for the development of a socialist market economy. It is the fundamental principle and reliable guarantee in developing the financial sector from now on.

To act according to law is a general requirement in strengthening the legal system. It is a clear-cut, strict and specific demand on those who work in the financial sector to observe law and discipline. It completely corresponds to reality in developing the financial sector in China. No matter whether we judge from the situation since the reform of the economic system or have our eyes on the future, the financial sector will occupy an even more important role in the national economy. Competition is becoming more and more fierce in the financial sector. In developing the financial sector, we have to pay attention to its characteristics of coupling profits with risks. We recall that after the reform, why did the central bank often fail to effectively implement its money policy? Why did several relatively large financial storms take place in some areas or throughout the country? These problems are connected with the deep-seated flaws in the economic operational mechanism and the external environment in financial development. Sometimes, it was because some financial institutions failed to do businesses and carry out their management according to law. Facts show that once problems crop up in the financial sector, they affect not only the development of the national economy, but also the people's livelihood and social stability. Thus, to ensure that staff members and workers in the financial sector consciously observe financial laws and regulations themselves is of great social and economic significance.

Employees in the financial sector play a crucial role in placing emphasis on law and discipline. Especially the leadership at all levels must strengthen their legal concept, and broaden their knowledge regarding laws and regulations in an overall manner. To place emphasis on law and discipline, we must, first of all, know and understand laws. We have scored relatively great achievements in studying financial laws and regulations. However, due to various objective and subjective reasons, our work to spread legal knowledge is still lagging behind in depth and in breadth. The concept of legality has not been completely established in the financial sector. Such a concept is quite weak in some localities. Some people even regard the spread of legal education as a reflexive "soft assignment." Some of the units spread legal knowledge as a matter of formality by relying on their "past experience" and following their old habits. Only when disputes flare up or something happens, do they realize that "one discovers his legal ignorance only

when he applies the law." We must earnestly learn a good lesson from them.

To place emphasis on law and discipline, we must start from the grass roots. Every financial worker must proceed from the concept that this task will mean the rise or fall of the financial sector. In every speech or action, he must check if he is observing law and discipline, and makes this practice of self-examination a habit. To place emphasis on law and discipline, we must strictly enforce the law. We should show no mercy to those who break laws or violate discipline, and correct them on time. For those who violate the penal code, we should resolutely prosecute them for their criminal liabilities.

To place emphasis on law and discipline is a long-term task. We must realize not only its arduousness but also its urgency. To ensure the fulfillment of this target, we must take our legal work as the point of departure, and ensure that "there are laws for people to follow, that these laws are observed, that their enforcement is strict and that lawbreakers are dealt with." we must also create a favorable environment to observe discipline and law in the entire financial sector and in the whole society, and ensure smooth financial operation during the Ninth Five-Year Plan period.

*PRC: Commentator on Financial Reform

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2 May 96 p 1

[Article by Unidentified JINRONG SHIBAO Commentator: "Place Emphasis on Reform, Create a Brilliant Future for Economic and Financial Sectors"]

[FBIS Translated Text] Right now, activities to "place emphasis on reform, politics, law and discipline and efficiency, and improving service" are being firmly and extensively carried out in our financial sector throughout the country to meet the requirements in "firmly putting measures into practice and setting examples by personally taking part."

To develop the "four emphases and one service" activities in the financial sector is of great significance. First of all, it is a specific measure taken by the financial sector in response to Comrade Jiang Zemin's call that leading cadres must "place emphasis on politics" to earnestly implement the instruction issued by the CPC Central Committee. It is also a real action taken by the financial sector to identify itself with the CPC Central Committee. Next, it will help reform the financial system, strengthen the macrocontrol of the national economy, promote a sustained, rapid and sound development of the economy, develop the spiritual civilization in the financial sector, raise the political and professional qual-

ities of the workers in the financial sector, and ensure that government employees remain honest and clean, resist corruption and improve their work style. In addition, these activities will also provide the financial sector with a good start and a firm guarantee for the implementation of the Ninth Five-Year Plan.

To place emphasis on reform is of great importance in developing the "four emphases and one service" activities in the financial sector." It is the first of the four emphases. How can we acquire a better understanding of and implement this task? This is of great significance in healthily developing the "four emphases and one service" activities.

The first meaning of placing emphasis on reform is that the leadership at all levels and the large number of staff members and workers in the financial sector must unswervingly advocate the reform program and persistently build the socialist market economic system under any circumstances. Comrade Deng Xiaoping explicitly pointed out that after the establishment of the socialist system, only by developing the reform program, fundamentally changing the economic system which hampers the productive forces, and establishing a vigorous and lively socialist economic system, will it be possible to develop the productive forces. Therefore, in this sense, reform is precisely a revolution. China's reform program has scored universally acknowledged achievements which have strengthened our conviction and determination to carry out reform. The 14th National CPC Congress confirmed that the goal of reforming China's economic system is to establish a socialist market economic system. This confirmation is a major breakthrough in theory and practice for the reform of China's economic system. China's choice in establishing the socialist market economic system is the inevitable outcome after it practices the reform and opening-up policy and carries out theoretic studies in this connection for more than 10 years. It has solved a major problem concerning overall socialist modernization. However, recently some theoreticians have expressed doubts on the reform program and the socialist nature of this program because of the problems in our economic life such as inflation, the widening economic gaps in different regions, the difficulties which confront the state-owned enterprises and the spread of corruptive practices in society. We cannot deny the existence of the aforementioned problems in our economic life. However, these problems are definitely not caused by the reform program. They are drawbacks caused by the old system. The reform program only creates the condition and environment which make these drawbacks difficult to prevail. Therefore, only by persistently carrying out reform will it be possible for us to gradually

uproot these drawbacks, maintain a sustained, rapid and sound development of our economy, and ensure stability and prosperity in China.

The second meaning of placing emphasis on reform is that the leadership at all levels and the large number of staff members and workers must fully support efforts to realize the "two fundamental changes" in our national economy—the change from a planned economy to a socialist market economy and the change from an extensive mode to an intensive mode in economic growth. This is an urgent fundamental task that the people throughout the country must fulfill. The financial sector has a great deal of work to do in order to realize the "two changes." For example, the reform of the state-owned enterprises constitutes the foundation for the realization of the "two changes." The financial sector has a great deal of work to do in reforming the state-owned enterprises alone. How can it help state-owned enterprises carry out restructuring and transformation? How can it help these enterprises put their stock assets to good use and in adequate circulation? How can it support these enterprises in carrying out technical innovations and transformation and in readjusting their structure? How can it help these enterprises merge with each other and go through the bankruptcy procedure? To realize these "two changes," the large number of cadres must change their ideas in carrying out economic work, promptly follow the path of realizing the "two changes," and completely abandon their practice of depending on extensive production and extensive operation. It is for this reason that we must change our ideas and concept. It is particularly important for the leadership to change their ideas and concepts as soon as possible. However, there are some difficulties in changing one's ideas and concepts at present. For many years, we were used to carrying out extensive operations and overemphasizing quantity and speed and to substituting enterprise management with government administration. Moreover, decisionmakers assumed little responsibilities and risks. In evaluating a cadre, the leadership often checked how many large projects he had developed and how fast he had completed the projects. All this has become a traditional concept and a force of habit. Therefore, to change our concept, we must maintain close touch with reality, sum up our experience, and dare to touch off our own thought. If we fail to do so, a situation will prevail whereby "persons at the higher level talk about it, after that, persons at the lower level talk about it. The leadership talks about it. After that, the masses talk about it. Finally nobody knows who is going to talk about it next." This is the kind of situation that we must avoid.

The third meaning of placing emphasis on reform is that the financial sector must do a good job in reforming it-

self. the reform of the financial sector is, in essence, to realize the collection and allocation of social funds on the basis of market supply and demand instead of direct planned control; and to properly handle the relations between the financial institutions and the government, between the financial institutions and their clients, and between one financial institution and another in terms of their duties and responsibilities. First, it is necessary to adhere to the correct orientation in reforming the financial system. In reforming the financial system, we must ensure that the financial sector do a still better job in helping build socialism with distinctive Chinese characteristics. Second, it is necessary to clearly understand the focal point in reforming the financial system. The focal point is to establish financial institutions that are vital and self-restrained. With this focal point in mind, we should correctly define and handle the relations between the financial institutions and the governments at different levels, between the central bank and other financial institutions, between the financial institutions and various enterprises, between one financial institution and another, and between the head offices of the financial institutions and their branches; and make new breakthroughs in reforming the financial system. Third, in reforming the financial system, it is necessary to adopt and carry out a vigorous and sound policy according to a unified plan. Fourth, it is necessary to educate the large number of cadres and workers, and inspire their enthusiasm to solve the existing problems in economic life by deepening the reform. In short, to reform the financial system, we must realize the "two fundamental changes" and work hard to fulfill the seven tasks outlined in the National Conference on Financial Work held at the beginning of this year. We should continue to implement the system of determining interest rates on the basis of market mechanism, accelerate the pace in reforming the management system of rural credit cooperatives, and further streamline the administration of policy-oriented banks. Also, we should continue to reform the commercial banks, quicken our pace in reforming the insurance system, and gradually establish order in our insurance market. We should continue to reform the foreign exchange system, and open our financial sector even wider to the outside world.

China's financial sector has witnessed tremendous changes and made significant progress and achievements in the course of carrying out reform. We should fully reaffirm this point. However, we also realize that our financial sector is still faced with difficulties and problems. Some of the problems are even quite serious. These difficulties and problems can be mainly divided into two categories. Problems in one category are: the total money supply is slightly excessive, and the pressure of inflation remains high. The economic

performances of financial institutions, particularly those of sole proprietorship, are low. The financial risks are increasing. Problems in another category are: some financial institutions build mansions in violation of regulations, and indiscriminately pay their employees money or bonuses in kind. The number of major and important criminal cases in these financial institutions begin to pile up. Their services are also poor. The whole society is displeased with this situation. The nature of these two categories of problems is not the same. However, both of them are directly or indirectly connected with the reform of our financial sector. Only by deepening the reform, establishing a financial system and an operational mechanism that meet the requirements of the socialist market economy, will it be possible to fundamentally solve the aforementioned problems in our financial sector.

In the past 17 years, our reform program already made our economic and financial sector glitter at present. We believe that with the deepening of the reform program and following the gradual realization of the "two fundamental changes," our economic and financial sector will have an even more brilliant future.

***PRC: Research Group Discusses New Economic Growth Pattern**

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[Article by "Achievement of New Economic Growth Pattern" Group headed by Qiu Xiaohua (6726 2556 5478): "How To Achieve the New Economic Growth Pattern"]

[FBIS Translated Text] Looking back at the course of economic development of countries around the world, because different countries face different situations and are at different stages of economic development, their economic growth patterns are also distinct. Some countries are chronically shrouded under the clouds of high inflation; their economic growth has stalled, and there is little improvement in their living standards. Some countries have a high growth rate, but they achieve that primarily by high input and consumption; their economic growth lacks quality, and they have not gained economic strength over time. Some countries achieve a combination of rapid growth and high efficiency through continuous upgrading and updating of their economic structure and vigorous development and application of science and technology, and their economies have successfully taken off. Some countries, primarily the well-developed industrialized countries, have been plagued by economic crises, inadequate demand, rising costs, and a growing base since the 1970's, and one after an-

other, they have seen their rapid growth turn into moderate and slow growth, although the quality of growth is still fairly good. But the successful industrialized countries all share a common characteristic, and that is, first and foremost, their economic growth pattern is based on the market economy, and from there they go through different stages of economic growth that starts with substantial capital and labor input and moves to a stage of more capital input and less labor input and then a stage of abundant capital and technological input and eventually a stage of abundant technological input.

During the Ninth Five-Year Plan period and in the first decade of the next century, what economic growth pattern should China choose? To answer this question, we should first determine the basic principles behind our choice and the basic conditions we are facing today.

I. The Basic Principles Behind China's Choice of Economic Growth Pattern

In choosing an economic growth pattern for the Ninth Five-Year Plan and for the first decade of the next century, we must learn from the successful experiences of other countries, but we must also consider our own conditions, resources, technological standard, economic base, and the specific stage of economic development we find ourselves in and so on. We should accentuate the positive and avoid the negative. Overall, we should plant our foothold in the realistic environment and correctly analyze future trends, and on that basis, we should follow Comrade Deng Xiaoping's instruction on increasing this country's comprehensive strength, promoting productive development, and improving the living standard to continuously readjust and upgrade the industrial structure, improve the national economy's overall quality, and embark on the successful path that leads us to the second and third stage of our strategic goal. Specifically, we should abide by the following principles:

1. We must seek truth from facts, plant our foothold on a realistic economic base, pay attention to the gradual nature of economic growth and the disparity in regional developments, ensure sustained and rapid growth, and society's basic stability.

2. We should help give full play to the comparative advantages of our factors of production and let the market mechanisms play the basic and guiding role in allocating resources and guiding the producers' behavior. At the same time, we should continue to vigorously strengthen and improve macro regulation and control.

3. We should help improve the quality and scientific content of economic growth, realize the change from

extensive to intensive growth, and make our commodities more competitive in the international markets.

4. We should give full consideration to the constraints put on economic development by our resources.

5. We should skillfully guide action according to circumstances and turn the huge population and employment pressure into a rich and usable labor force and a resource advantage.

II. China's Economic Growth Environment In the Next 15 Years

The period between now and the year 2010 will mark an important time in China's economic development. It will be the crucial 15 years that determines whether we can achieve the second step, and lay the foundation for achieving the third step, of our strategic goal of social-economic development. An analysis of the economic growth environment in the next 15 years shows many favorable elements but also many problems.

From the positive point of view, we have the "growth phase, market, fund, and system" in our favor.

1. We have a clear advantage in being in the growth phase: According to economic growth theory, when a country's per capita GNP exceeds \$300, it marks the beginning of a phase when the economy takes off and the economic structure undergoes rapid changes. This economic surge process can go on for 20-30 years until the industrialization process is basically complete. Countries at this stage of development will have much more room to make their industrial choices. They can learn from the mature, advanced technologies, facilities, and management experiences of other countries to accelerate their own economic development. More importantly, the accelerated pace of industrialization will inevitably require drastic changes in the industrial structure to satisfy investment and consumption demands and demands by other end-users, and this will serve as the motive force driving the sustained, speedy economic growth. Since the 1980's, with the people's basic food and clothing problems solved and shortages basically eliminated, China has begun this economic phase, and in the next 15 years, we will remain in this stage.

2. Market prospects promise larger scope, higher grade, and richer content. In the 16 years of reform and opening up, because we have abandoned the traditional, develop-the-heavy-industry-first strategy that centered around the heavy industry's self-perpetuating cycles, that distorted the prices of goods and factors of production, that had no competitive drive and no work incentive, and because we have gradually embarked on the new growth track guided by market demands, we have cre-

ated a concentrated consumption craze centered around household electrical, durable, and consumer goods. In the next phase, the new consumption hot points of people in the towns and townships will gradually shift to housing, telephones, automobiles, luxury household electrical products, and everyday service-oriented consumption. As their income level rises and consumption environment improves, people living in rural areas will also increase their demand for 1,000-yuan-level durable consumer goods. With respect to investment demand, in order to support the continued rapid growth rate, ease the conflict caused by shortages, and satisfy the upgrading and updating of the industrial structure and the consumption mix, we must maintain a fairly high rate of investment. These will provide a vast market for the economy's development in the next 15 years.

3. The fairly high savings rate will provide a major fund source supporting the high growth rate. Influenced by the sustained rapid increase in income and the Chinese nation's traditional virtue of thrift and so on, China's national savings rate has remained high since the 1970's. Between 1979 and 1994, savings has accounted for more than 35 percent of the GNP, ranking first in the world. It is expected that this high propensity to save will continue well into the future.

4. As the even more efficient and vigorous socialist market economic system is being perfected, factors innate to the system will play a more prominent role. After more than a decade of hard work, especially since the 14th National Party Congress proposed the overall goal of developing a socialist market economic system, and since the Third Plenary Session of the 14th Party Central Committee ratified the decisions on issues pertaining to the establishment of a socialist market economic system, China's market economic system has made great strides in gradually drawing up the public finance, tax, financial, foreign currency management, import and export trade management, price control, and planned management systems. The basic framework of a socialist market economic system is gradually being completed.

In addition, the relatively stable international and domestic environments, the accelerating mode of development between town and country and between different regions, and the rich labor resource will become important factors helping to maintain and promote the overall economy's sustained, rapid development in the next 15 years and even longer.

From the point of the unfavorable factors, there are the following constraints:

1. There is tremendous population and employment pressure. Despite China's consistent population control

policy and the many measures taken to lower the unemployment rate, the huge population base (1.2 billion) and the low employment rate continue to slow economic growth. Currently, China's urbanization rate is only 28.6 percent, far below that of other countries in the same developmental phase. We can expect, as the industrialization process speeds up and the organic makeup of capital and technology increases, employment elasticity to fall and the problem of rural surplus labor to worsen. In addition, about one-third of the workers in state industrial enterprises are surplus and will need to find other outlets in the wake of thorough reform.

2. The resource constraint will intensify. China is a vast country rich in resources, but the amount of resource per capita is very limited, and in the wake of accelerated industrialization and further population increase, this problem will become more acute. The amount of farmland continues to decrease, and water resource will hardly meet the growing needs. The proven deposits of more than a dozen of mineral resources, including petroleum, natural gas, gold, copper, iron ores and so on, are limited and facing rising exploration costs and diminishing economies of scale.

3. Exporting will be more difficult. As international competition intensifies, the value of the RMB appreciates, and labor cost rises, China's traditional trade pattern, dominated by the export of labor-intensive products, will face grim challenges. Our advantage in price competition will clearly diminish, and with international trade protectionism, characterized by the formation of trading blocs and groups, gaining ground, it will make any increase in foreign trade very difficult.

Furthermore, constrained by agriculture, energy, transportation and other basic industries and by lagging developments in—and the narrowness of scope of—education, science, and technology, China's economic growth process will be affected and obstructed.

III. The Economic Growth Pattern In the Next 15 Years

Based on the above principles and on the comprehensive analysis of the favorable and unfavorable conditions in the next 15 years, and linking that with the lessons learned from the experiences of other countries' economic growth, we believe that in the next 15 years, our economic growth should be based on the gradual development and perfection of the socialist market economic system, guided by market demands, centered around better economic efficiency, and driven by the readjusted and upgraded industrial structure and technological progress. We must give play to our fund and market advantages and the present stage of economic

growth, strive to increase economies of scale and improve the quality of our export-oriented economy, promote coordinated regional economic development, and protect and optimize the environment to pave an economic growth path marked by "rapid growth, low inflation, and high efficiency."

This growth pattern can be summarized into the following aspects: 1) It is marked by high savings, high investment, moderate consumption, and high growth rates. 2) While emphasizing structural improvements, the incremental input should be used to strengthen agriculture, energy, communications, and other basic industries and the infrastructure, improve the weak links, and boost economic growth's staying power. As for the existing base, readjustments should be stepped up to generate economies of scale and increase the economy's high-tech content. 3) The expansion of the externally-oriented economy should be based on quantity increase and quality improvement rather than quantitative expansion alone. 4) We should continue to restructure the systems and further stimulate economic vitality, discipline economic behavior, and eliminate factors within the system that may contribute to inflation and economic instability.

We should also see that realistically, even this growth pattern is difficult to achieve. In the transition period, we must pay attention to making gradual changes, completing the process in two stages: we should begin by changing from emphasizing quantity to emphasizing both quantity and quality to eventually achieve a qualitative growth pattern. We should change from extensive growth to a combination of extensive and intensive growth and eventually adopt an intensive growth pattern.

At the same time, we must choose a realistic way to change the economic growth pattern:

First, our guiding ideology should consider both speed and quality and pursue speed amid quality instead of simply going after the rate of growth. In the past, because of our weak economic foundation, low developmental level, and the poor international environment, our guiding ideology emphasized only acceleration and quantitative expansion to satisfy the growing, although not excessive, social demands; we could not take care of efficiency and quality at the same time. Today, after 46 years of construction and development, and especially after 16 year of reform and opening up, our economic volume has greatly expanded; we have gained comprehensive national strength, and our living standard has risen dramatically, which prove that we have built a sound economic base. In addition, through exceptionally successful diplomatic efforts, we have attained a rela-

tively favorable international environment. These allow us to develop a guiding ideology that promotes speedy and quality economic growth and to pursue speed amid quality instead of going after speed alone. Quality means comprehensive optimization of the economic structure, more efficient use of all types of resources, increased international competitiveness, and less or even no waste and ineffective work. Speed means achieving accelerated economic growth that is based on harmony, stability, and high efficiency. Only this kind of growth is healthy growth, growth that complies with the objective laws of economics and macro regulation and control goals, and growth that truly enhances our national strength and puts us among the ranks of the world's developed countries.

Second, we should make thorough reform the breakthrough point. Based on our analysis, continued, thorough, and in-depth restructuring of the economic system is the key to realizing the change in economic pattern. Sixteen years ago, we were able to change the economic pattern of the previous 30 years and achieve rapid economic growth because of reform and opening up. In the next 15 years, if we want to eliminate high consumption and low efficiency in the economic growth process, we must rely on further deepening the economic reform process. We should make overall plans and consider the whole situation, focus on the main points, actively push forward, and make a breakthrough at the "assault phase" of reform to put the new market economic system in place as soon as possible, so that economic operations and market competition are orderly and standardized, and the system can be used to guarantee the realization of the new economic growth pattern and promote better quality in economic growth. In particular, further reform of state enterprises, social security system, and the financial system and the restructuring of the governments' (especially at the local level) administrative and management systems are crucial.

Third, it is especially important that we have stronger laws. In a certain sense, the market economy is an economy of legal systems, and because the new economic growth pattern is based on the socialist market economic system, a stronger legal system is essential. In real life, there are phenomena of unfair competition, such as monopoly and fraud; corrupt phenomena, such as waste, dereliction of duty, and exchange of power and money; criminal phenomena, such as theft and robbery; and phenomena of unfair allocation, such as wanton wealth and poverty. They reflect an unhealthy legal system which inevitably will undermine economic growth's efficiency and quality. The legal system not only must discipline behavior in economic competition and clarify the legal responsibilities of the government departments in the

macro management process but also must strengthen law enforcement and crack down on phenomena that violate law and discipline. The law enforcement departments must be prohibited from practising local protectionism; they must follow the law in handling cases and put all conducts at the macro and micro levels onto an orderly track to guarantee the economy's healthy development.

In actual practice, besides restructuring the system, which is a crucial factor, we should pay attention to the following:

1. We should strive to achieve optimum economic structure: Only by optimizing the structure can we have a good and fast economic growth pattern, and to achieve structural optimization, we must focus on two areas: First, incremental investments should be used to strengthen such weak links as agriculture, communications, and energy. We should quicken the pace of solving the conflicts caused by the "bottlenecks," increase input in education and science and technology, and raise the technological standard. Second, with regard to the existing investments, we should change the situation where enterprises always survive and are never allowed to "die." This is so that we can achieve an optimal combination of society's resources, expand and upgrade the mainstay industries and traditional industries. To achieve structural optimization, we must basically rely on reform, on new profit regulation mechanisms, and on all-out market competition.

***PRC: Economist Liu Guoguang Comments on System Reform, Growth Pattern**

**96CE0302A Beijing JINRONG SHIBAO in Chinese
14 Apr 96 p 5**

[Article by He Xu (0149 3563): "Accelerate the Restructuring of the Economic System; Change the Pattern of Economic Growth—An Interview With Renowned Economist, Professor Liu Guoguang (0491 0948 0342)"]

[FBIS Translated Text] The "CPC Central Committee's Proposal on the Formulation of the Ninth Five-Year Plan For Economic and Social Development and Long-Term Goals for 2010" (referred to as "Proposal" below), ratified by the Fifth Plenary Session of the 14th CPC Central Committee, points out that the key to achieving the Ninth Five-Year Plan and the goals of struggle for 2010 lies in making two fundamental changes of overall significance: One is to change the economic system from the traditional planned economic system to a socialist market economic system, and the other is to change the pattern of economic growth from extensive to intensive growth. I recently interviewed renowned

Chinese economist and CASS [Chinese Academy of Social Sciences] special advisor, Professor Liu Guoguang, on the matter of the "two changes."

[He] As far as I know, you are among one of the earliest Chinese economists to advocate changing the pattern of economic growth. I remember back in November 1985, RENMIN RIBAO published your article entitled, "A Tentative Discussion on a Twofold-Change in China's Economic Mode," in which you said that China should adopt a developmental strategy to make "accelerated growth the major goal and extensive growth the main pattern" and then gradually shift to the strategy that makes "intensive growth the main pattern." Back then, your idea evoked broad repercussions at home and abroad. You have continued to study the issues of economic reform and economic growth pattern in recent years. Please comment on the "two changes" as suggested in the "Proposal."

[Liu] The truth is, the "two changes" is nothing new. China's economy has entered a new phase since the Third Plenary Session of the 11th CPC Central Committee. In the mid-1980's, economic theorists, including myself, already proposed a twofold-change in China's economic mode: The first was the change in economic system, that is, changing the traditional, highly centralized, planned economic system into a market-oriented economic system. The other was a change in economic development strategy. It had a broader meaning than the change in economic growth pattern we talk about today, because it included changes in production goals, industrial structure, consumption and accumulation relations, developmental strategy, management system, and developmental mode. Specifically, the change in developmental mode is comparable to the change in growth pattern we talk about today.

After more than a decade of reform, opening up, and economic development, China's economic mode in terms of an economic system and development has changed significantly; the changes we talked about earlier have made headway in many areas. That is a well-known fact and needs no further elaboration. But with respect to the change in growth pattern, we have run into more serious problems and obstacles, and to date, progress has been slow and results have been poor. Extensive economic growth pursues quantity, scale, speed, and output value; the means to achieve those goals is by adding input, including financial, material, and labor input. It pays little attention to quality, efficiency, and benefit. Intensive growth, on the other hand, seeks to improve quality and efficiency through technological transformation and upgrading, better management, intensive production, and improved worker quality. We are not paying enough attention to these areas even today. Ex-

perts have calculated that, since reform and opening up, 72 percent of our economic growth has been attributable to increased input and only 28 percent to technological improvement. This is a far cry from the developed countries: Currently, 50-70 percent of their economic growth comes from technological improvement, and even for those developing countries and regions that have undergone fairly rapid growth only after World War II, technological development has accounted for an average of 30 percent of their growth.

[He] For more than a decade, China has achieved eye-popping economic growth quantitatively, but in terms of quality and efficiency, things have been disappointing. Why can't we make satisfactory progress in this area? What are some of the problems?

[Liu] I think this is not entirely the fault of the country's policies. Back in 1981, at the Fourth Session of the Fifth National People's Congress, it was pointed out in a government work report that we needed a way to achieve a realistic rate of growth, attain economic efficiency, and give tangible benefits to the people. Subsequently, it was suggested on several occasions that the focus of economic work be shifted to the track of improving economic efficiency. The reasons for the perennial poor quality and efficiency in economic growth are very complicated; some are due to conditions in this country, and others are due to systematic constraints. But the four factors below are worth special attention: 1) the assessment of the accomplishments of governments and officials at all levels is still based on the speed and scope of economic development. 2) the old system that commingles government and enterprises has not vanished from the historic arena; the "big pot" of funds and lack of budgetary restraint still play a significant role, and because they are not spending their own money, investment decisionmakers do not worry about not recouping their investments, and enterprise managers do not worry about losses. 3), enterprises are of poor quality, management standard is low, and state enterprises in particular shoulder heavy burdens; they are not capable of nor interested in technological transformation or innovation. 4) Finally, China's town and country are loaded with surplus workers, and improving labor productivity and labor efficiency instead of resorting to excesses to solve the very serious unemployment problem is not feasible in China.

[He] With the unresolved problem of overemphasizing quantity and speed at the expense of quality and efficiency in the background, the Central Committee's current proposal to change the growth pattern can be looked at as a continuation of repeated past efforts to shift the emphasis of economic work to improving

economic efficiency. Yet, as we enter the Ninth Five-Year Plan period, and as we move toward the 21st century, we are putting so much emphasis on this change as to equate it to the restructuring of the economic system. Is there a special urgency to make this change at this time?

[Liu] Of course. Changing the growth pattern is increasingly more urgent, because: One, past experiences proved that the extensive developmental path that made pursuing quantitative growth our main goal and increasing input the principal means of achieving that goal would necessarily lead to repeated and severe volatility characterized by an excessive growth, inflation, and economic adjustments. It would bring losses and undermine the economy's sustained and healthy development, and often, the larger the economic scope, the greater the economic loss. Our economy has reached a higher level; the scope is even larger and is still growing, and this kind of repeated volatility will not do. Small fluctuations are unavoidable, but severe volatility must be avoided. Two, as people's income level rises, as the mix of goods they want is upgraded, and as required by the large-scale infrastructure and equipment, China's industrial structure will again shift in the direction of heavy and chemical industries. The mass development of the auto, construction, petrochemical, machinery and electronics, and other mainstay industries will put tremendous pressure on the demand for energy and raw materials and other resources. If we do not change the old extensive mode of development that wastes resources and shift to a mode that conserves energy and resources, we will run out of resources. If we compare the per unit GNP energy consumption, our rate is six times that of Japan and three times that of the United States. China has a huge population and a large market, and given the small amount of resources per capita, it will be difficult to sustain economic growth. Moreover, overexploitation and overconsumption of the already limited amount of resources per capita will exacerbate environmental pollution, tip the ecological balance, and jeopardize the sustained development of later generations. Three, in the contest of real economic strength in the international arena, total quantity is but one aspect. Even more important is the scientific and technological standards, quality and efficiency, per capita consumption, and overall economic quality. In these respects, we are far behind the developed countries of the world. Even when our total quantity ranks first in the world, our per capita standard will remain low, and whether we can catch up to the world's developed countries by the 21st century is still questionable. Therefore, we must work hard to improve the quality, efficiency, and per capita standards in economic development; we should not make a big fuss over quantitative growth.

[He] How do we truly achieve this change in growth pattern?

[Liu] Because changing the economic growth pattern is not a localized issue but one that affects the whole situation, we must adopt effective general policies and specific measures in all areas and make improving quality, efficiency, and benefit a requirement in our mid- and long-term developmental programs and in future economic tasks. This should include optimizing the industrial structure, achieving economies of scale, dealing with the new projects and constructions and the renovation and upgrading of existing enterprises, implementing the policy to use science and education to vitalize the country, and pursuing resource development and conservation concurrently and so on. Here, we should particularly emphasize strengthening the macro economy and the enterprises' own management and combining the raising of the management standard and the reform of the economic mechanisms.

Earlier we talked about the many factors that obstruct the change in our economic growth pattern. Most have to do with production relations and the superstructure; they can be rectified only through in-depth reform. The "Proposal" points out that we must rely on the restructuring of the economic system to create enterprise mechanisms that help to conserve resources, reduce consumption, and increase efficiency; technologically advanced mechanisms that promote self-determination and innovation; and operational mechanisms that facilitate fair market competition and optimal resource allocation. In short, we want to organically link the "two changes." The change in the economic growth pattern and the change in the economic system are joined and are inseparable. Changing the growth pattern must be premised upon changing the economic system. Without changing the economic system, it will be difficult to change the growth pattern. If we do not remove the systematic obstacles, readjust the structure, make technological progress, tap potential, and upgrade and improve quality and efficiency and so on, we cannot move ahead. Some systematic obstacles cited earlier—such as the assessment of political accomplishment, commingling of government and enterprises, and heavy enterprise burdens and so on—have to do with the government's functions and problems in state enterprises. The focus should be on the state economy if we want to change the growth pattern. This is because the state economy still plays the leading role in China's economy, and if we cannot change its growth pattern by first restructuring the system, we will not be able to maintain the state economy's position. Of course, China's situation is very complicated, and so far it is still no more than a developing country. We must not be impatient and take across-the-

board measures to change the growth pattern. For example, we must not require all departments and regions to adopt the same state-of-the-art technologies to transform their existing enterprises, even less can we demand that all departments and localities stop new constructions and renovations and other extensive construction projects. Furthermore, China's basic industry and infrastructure are weak; our high-tech, high added-value burgeoning industries still need to be developed, and we must also develop the resources of remote frontier regions, narrow regional differences, and in particular, we must settle and find work for the many newly-added surplus workers in the towns and villages. Massive input is necessary to pursue such extensive development. But this kind of extensive construction must proceed step by step; we must not rush and concentrate in one area, nor should we keep everybody at the same existing technological level; instead, we should adopt the technologies we can use, and as much as possible raise the original standards. Thus, we should properly integrate intensive development and extensive development. Only then can we tailor things to this developing country with its large population and push forward with our modernization.

In short, changing the economic growth pattern is a long process, and in the early, less-than-prosperous stage of economic development, relying on increased input is in line with economic laws. China has a large population; we have a growing surplus labor force, and we can afford to increase labor input. Furthermore, we have a high savings rate, and our overall investment environment and climate for bringing in foreign capital is good, and so it is fair to say that we can afford to increase fund input. Adding the fact that the industrial structure is being restructured worldwide, and some advanced countries are shifting their labor-intensive industries to the developing countries and regions, and because China has a vast territory and its east-west development is uneven, there is ample room for this kind of shift of extensive-type industries deep into interior China. This dictates the important role of extensive development in China at this time. Moreover, raising the technological, management, and efficiency levels is a long process, and the integration of the two growth patterns is a long process during which we must work hard to increase the proportion of intensive elements. This is the essence of changing the growth pattern.

[He] At this stage, what is the proper proportion of intensive economic growth?

[Liu] This is hard to say. It depends on how well we control population growth, the rate of increase in labor resource, and the progress of technological and management improvements. China is not like the West. The West always has labor shortages, and we always

have surplus labor, and so we should not raise the proportion of intensive elements too much, too soon. This is a matter of giving play to our comparative advantages in different resources. In combining the labor, capital, and technology intensive factors, what is the most reasonable arrangement? What steps do we take to achieve that combination? We must diligently explore and resolve this issue. This is to be decided by China's own situation. Of course, I think at least we should not fall below the average standard of a developing country. There is also a question of time. If we are talking about the year 2050, of course the proportion of intensive factors should be much higher, but if we are talking about the year 2000, I am afraid the proportion will not be that high. The actual percentage will have to be calculated by experts in econometrics.

PRC: Trade Minister Cites Progress in Enterprise Reform

96CE028&A Hong Kong CHING CHI TAO PAO [ECONOMIC REPORTER] in Chinese 25 Mar 96 No 12, pp 36-38

[Article by staff reporter Zhu Maozai (2612 3029 7872): "Comprehensive Approach to State-Owned Enterprise Reform, Progress In Resolving Important Issues"]

[FBIS Translated Text]

At a news conference held in the news center of the 4th Plenary Session of the 8th National People's Congress, Wang Zhongyu [3769 1813 4416], Minister in Charge of the State Economic and Trade Commission, stated that there has been new progress in reform of state-owned enterprises; reform measures have accelerated and there has been a comprehensive approach to experimental work. There have been definite breakthroughs in key and difficult problems of reform. There have also been initial achievements in the reform of "perfecting capital structure" in 18 trial site cities.

I. New Progress in Five Aspects of State-Owned Enterprise Reforms

In response to reporters' questions, Minister Wang Zhongyu described the progress of state-owned enterprise reform. He said that in just one year, state-owned enterprises have made major progress in the following five aspects:

First, the guiding ideology and basic principles of state-owned enterprise reform have been set. The CPC made it clear at the 3rd Plenary Session of the 14th Party Congress that the direction of state-owned enterprise reform will be to establish the modern enterprise system.

Reform of the state-owned economy will not go down the road of privatization.

Second, we now have a common understanding on some important issues, such as how best to handle state-owned enterprises. The speech that CPC Chief Secretary Jiang Zemin made last May during his inspection of Shanghai and Changchun further unified our ideological thinking and clarified the direction of reform. For example, there must be comprehensive understanding of the four major aspects involved in establishing the modern enterprise system, and they are mutually irreplaceable: We must adhere to invigorating the state-owned economy, establish the system whereby through competition the good enterprises survive and the bad do not, and carrying out state-owned enterprise reform in China can only be achieved gradually. There is fundamental common understanding on these important issues.

Third, there is a basic, clear understanding of the problems which exist in state-owned enterprises, chiefly problems of system, structure, market, burden, and management.

Fourth, state-owned enterprise trial reform work has been approached comprehensively. The State Council designated 100 enterprises as trial sites which would implement modern enterprise system. In addition, each locality selected its own trial enterprises, making a total of more than 2,000 such. Trial sites in 18 cities which are "perfecting the capital structure" have also made definite breakthroughs on some important and difficult issues, such as increasing capital and reducing debt, etc.

Fifth, trial site experience continues to be summarized and implemented nationwide. There were two conferences held last year regarding trial sites for reform of state-owned enterprises: One was the Shanghai meeting, which focused on disseminating Shanghai's experience in establishing the modern enterprise system; the other was the Qingdao meeting which described experiences in how to further carry out enterprise reform.

Wang Zhongyu stated that while there has been a comprehensive approach to state-owned enterprise reform trial sites, and there has been some progress, the deep-seated reform issues have yet to be resolved; some key and difficult problems will require new and more vigorous investigation before they can be resolved. Some enterprises still have production and operational difficulties, and this demonstrates that our reform mission is still huge and that we must accomplish it through comprehensive reform.

II. As the Volume of Losses Rises, Look Into Reducing Enterprise Debt Burden

In response to a reporter's question concerning losses by state-owned enterprises last year, Wang Zhongyu answered that in 1995, the nation's independently accounted industrial enterprises lost 88.3 billion yuan, an increase of 34.4 percent over the year before; losses by state-owned industry within budget was 40.9 billion yuan, 20.5 percent more than the year before. Wang Zhongyu said that in market competition, there will always be some failing enterprises which will be shut down. However, we will try to reduce operating losses by changing the system and strengthening management. The Chinese government is working on resolving excessive losses and production and operational difficulties among enterprises.

In discussing debt problems at state-owned enterprises, Wang Zhongyu said that in recent years reform of state-owned enterprises has always made enterprise debt a priority topic for discussion, and that state-owned enterprise debts have accumulated over the years, in historical formulations. Last year, the asset to debt ratio for state-owned enterprises within budget was 67.5 percent. In comparison to the previous year, some enterprises grew while others failed. The situation is better in some areas; for example, the debt ratio for enterprises in the 18 trial cities definitely went down, while the asset to debt ratio of the 100 trial enterprises fell 2.11 percent from the year before.

III. Handling 1,000 Trial Enterprises Well

When reporters inquired as to how the 1,000 trial state-owned enterprises could best be handled, Wang Zhongyu said the State Council's basic principles are "taking care of the large, invigorating the small" and "giving prominence to key points and direction by categories", with a focus on doing a good job with the entire state-owned economy. He went on to note that 878 of these 1,000 enterprises are state-owned enterprises, which is 2.8 percent of the total number of state-owned industrial enterprises, and constitute 63 percent of the total assets, 69 percent of the production output, 70 percent of sales and 74 percent of tax revenue on profits. If we can take care of these 1,000 enterprises, we will control the majority of state-owned enterprises.

Wang Zhongyu says that the 1,000 enterprises fall into three categories. In the first category are those enterprises which are fully capable of self-development; the next step for them is to further strengthen the force of reform. The second category consists of those which are economically efficient but have a high asset to debt ratio; their next step is to work on increasing their assets

and reducing their debts. The third category is those which are economically inefficient and have operating difficulties; to these we will give the policy support and protection extended to basic enterprises which benefit the public.

In response to a question whether foreign capital would be allowed to be a part of the 1,000 modern enterprise system trials, Wang Zhongyu said that the 1,000 trial enterprises are all units in which all capital invested and all shares held were the nation's; the state welcomes foreign capital to enter these trial enterprises as long as it is done in keeping with state policies governing the use of foreign capital. Wang Zhongyu said that Chinese and foreign cooperation can take a variety of formats, perhaps joint ventures and cooperation, and of course another is transaction. In the past, there were some operational problems with such issues; for example, there were underestimates of state-owned enterprise assets, so arrangements for surplus workers were made improperly. These problems will be resolved over time.

IV. Progress in the "Perfecting Capital Structure" Experiment

Discussing the "perfecting capital structure experiment", Wang Zhongyu said that the State Council's orders last year to the State Economic and Trade Commission, regarding perfection of the capital structure in the 18 cities was a focal point in overall modern enterprise system reform. There are four major aspects to this: increase enterprise capital funds; strengthen the force of their technical renovation; separate and distribute surplus workers, and incorporate bankruptcy. In the overall view, progress in some areas of the trial work has led to some definite breakthroughs, especially on both some difficult and important points. Take increasing capital funds, for example: in 1994, the 18 cities had a total increase of 1.8 billion yuan, and an increase of 8.4 billion yuan in 1995; this total of 10.2 billion yuan over two years lowered the enterprise debt rate. The 18 trial cities showed even greater force in their technical renovation, with 23.5 percent of all technical renovation projects implementing the "double increase" in technical projects. The 18 trial cities reassigned a total of 1.4 million surplus employees. Concerning bankruptcy and incorporation, 339 enterprises have been incorporated, and 103 have implemented bankruptcy. Wang Zhongyu stressed that these few aspects of the experiment are intended to establish the system whereby good enterprises survive and the bad are abolished through competition, but the number of bankrupt enterprises should not be taken as a quota.

In addition, this reporter has learned that the State Council has decided that beginning this year the 18 trial sites for "perfecting the capital structure" will

expand to a total of 50 medium and large sized cities. The majority of these cities will be provincial capitals. Coverage will expand to the following new cities: Beijing, Shijiazhuang, Huhehaote, Dalian, Nanjing, Hangzhou, Ningbo, Hefei, Fuzhou, Xiamen, Nanchang, Jinan, Zhengzhou, Changsha, Guangzhou, Shenzhen, Nanning, Haikou, Guiyang, Kunming, Xian, Lanzhou, Xining, Wulumuqi, Yinchuan, Anshan, Pusun, Benxi, Luoyang, Jilin, Baotou and Datong. A spokesperson for the State Economic and Trade Commission said the trial site cities will focus on state-owned large and medium scale enterprises. Depending on the city, there will be a concentration on key and difficult problems of state-owned enterprises entering the market to achieve key breakthroughs via coordinated reform and comprehensive handling. The aim is to strengthen the overall capacity of state-owned enterprises, especially large and medium scale state-owned enterprises. This way, they can successfully enter market competition and effectively link public ownership with the market economy and lay down the macroscopic foundation for establishing the modern enterprise system. The spokesperson noted that under market economic conditions an absence of bias was an important prerequisite for carrying out the experimental work. Enterprises and cities must base matters on their own situations, study policies the nation has already issued, take maximum advantage of those policies, and carefully organize and promote the trial sites. Each trial site should not receive equal emphasis, rather, each city's basic advantages should be maximized, selecting good breaking points to seek actual breakthroughs.

V. Expanding the Handan Steel Mill's Experiences Nationwide

Wang Zhongyu said that the State Economic and Trade Commission recently held a working conference at Handan City in Hebei, which examined and popularized the experiences of the Handan Steel Mill, as well as that of enterprise management nationally. The Handan Steel Company implemented the system of "imitating market accounting, implementing cost denial". In nature, this consists of introducing the market message into enterprises, thereby inspiring employees to take care of the mill's finances, insisting on special vigor in "reforming three and strengthening one" to reduce costs, and so improve enterprise economic efficiency. The new enterprise management system they implemented is one that faces the market and forms a new enterprise operating system. After this management system was put into effect, comparing 1995 to 1990, the Handan Steel Mill achieved a rapid growth in profit taxes, going from one million yuan to 708 million yuan while their enterprise asset to debt ratio dropped from 70 percent to

39 percent. State-owned assets have grown 7.7 times in five years. Handan Steel's experience is meaningful and has characteristics which can invigorate state-owned enterprises. The State Council has issued a notice that will popularize the Handan Steel Mill's experiences comprehensively among enterprises nationwide.

***PRC: Analysis of Economy, Investment in First Quarter**

96CE0329A Beijing JINGJI CANKAO BAO
in Chinese 5 May 96 p 3

[Article by Liu Lifeng (0491 4539 1496) and Zhang Hanya (1728 3352 0068): "Economic Operations Were Stable, With Investment Growth Reasonable—An Analysis of Our First Quarter Economic Situation and Investment Conditions"]

[FBIS Translated Text] In general, our first quarter 1996 macroeconomic operations were relatively stable, with both our composite economic indexes and key economic indicators all within a normal operating range. All indexes monitoring the first quarter state of our economy were at 60 percent, being steady right at the center of the green-light zone.

Our economic operations were characterized mainly as:

1. While our economic growth rate was fast, our economic efficiency was low. In the first quarter, our GDP growth topped 10 percent, with our GVIACO [gross value of industrial and agricultural output] growth at 16.2 percent, for roughly the same growth rates as in the same period of 1995. And our light and heavy industry growth was synchronized, changing the order in which light industry had led heavy industry in growth each quarter since 1994. But while our economy was growing rapidly, our economic efficiency was certainly not keeping up, declining instead. In the first quarter, our manufactured goods sales rate was 93 percent, down 1.8 points from the same period in 1995, with the profits and taxes of our budgeted industrial enterprises down 13.9 percent from the same period in 1995, our losing enterprise losses up 38.4 percent, and the capital tied up in finished products up 17 percent.

2. While our consumption growth was fast, with our investment growth rate more reasonable, our export volume was down absolutely. In the first quarter, our consumer goods market experienced brisk buying and selling, with our gross consumer goods retail sales up 23.6 percent from the same period in 1995 or, corrected for inflation, up a real 14.5 percent, making this a quarter of faster real growth for recent years. Our state unit investment was up 16.2 percent from the same period in 1995 or, corrected for inflation, up a real approximately 11 percent, so that our investment growth

led our economic growth. But impacted by our too high 1995 export base and the adjustment of our tax policies involving foreigners such as the lowering of our export tax rebate rate, our first quarter customs data showed our gross export value to be down 8.7 percent from the first quarter of 1995.

3. Our financial situation was good, playing an active role in economic growth and price stability. By the end of March, our money supply was 816.91 billion yuan, up 12.4 percent from same time in 1995, but with its growth down 12.2 points from the first quarter of 1995. Our first quarter financial institution lending was 143.98 billion yuan, up 18.24 billion yuan from the same period of 1995. But as most of that 18.24 billion yuan was in short-term working capital loans, it eased to a certain extent the capital shortage for our industrial enterprises, promoting stable economic growth.

4. While our prices remained under control, our potential price-rise pressures remained large. In the first quarter, our national retail commodity prices were up 7.7 percent from the same period in 1995, having grown less than 10 percent a month for five consecutive months since November 1995. But due to factors such as the steadily widening impact of policy price raises, the negative impact of system factors, and rising production costs due to higher wages and interest rates, our potential price-rise pressures remain great. So if we ease up on our administrative control and oversight, it is going to be hard to meet our 1996 price regulation and control target.

In the first two months of the first quarter of 1996, due to factors such as the state's continued tight control of capital sources, the longer than usual Spring Festival, and the sustained low temperatures and rain in some areas, the state unit investment of fixed assets (IFA) was up only 7 percent from the same period in 1995. But as banks increased their mid- and long-term loans in March, and other construction capital arrived, the IFA rose markedly from the previous two months, being up 22.2 percent for March from the same time in 1995. So our first quarter IFA was 129.87 billion yuan, up 16.2 percent from the same period of 1995, with its growth down 21 points. Our first quarter renewal and upgrading investment was up 1.6 points, with its growth back down 24 points, with our real estate development investment being up 35 points, for 3-point higher growth, with its ratio to state unit investment up 5.4 points from the same period in 1995, while the ratios of capital construction and renewal/upgrading investment were down from the same period in 1995 by respectively 3.8 and 2.4 points.

As to our investment industrial structure, primary and tertiary industries maintained their rising trend since

1995, with their ratios up from the same period in 1995 by respectively 0.1 and 0.6 points. And while our ratio of gross investment in secondary industry was down, the investment ratios of basic industries such as power, industrial chemicals, metallurgy, and electronics were all up somewhat from the same period in 1995, showing some improvement in our investment structure. And the investment growth by industry also showed the role of market forces in that, in the more profitable ones with better market sales, the investment growth was markedly higher than in those with poor market sales and low industrial economic efficiency.

In the first quarter, our investment capital source structure was much different than in 1995. All direct state-controlled investment sources were up sharply from the same period in 1995, with self-raised capital changing its steadily rising trend of previous years, to be down 1.3 percent from the same period in 1995, with its ratio to all fund sources down 3.8 points from the same period in 1995. Our foreign capital usage was down 0.6 points from the same period in 1995, with its ratio changed from a 5.9-point rise for the same period in 1995 to a 0.8-point drop this year. The major cause of the lower volume and ratio of self-raised capital was the microeconomic slump, causing a capital shortage for state enterprises and government at all levels, and a corresponding reduction in construction capital. The state's 1996 inventory of extrabudgetary funds and of the financial institution capital in circulation outside of the system also reduced self-raised funding sources.

China's ratio of first quarter investment to the year's investment is always small, generally under 10 percent, with the state often having to adjust its last half IFA based on the first half economic and investment situation. So it is hard to project the year's investment from the first quarter's investment state. But the first quarter's drop in ongoing construction and new project starts, as well as the lower ratio of self-raised funds, shows that if the state continues its tight capital policy in the second quarter, our second quarter IFA growth will be controlled at around 20 percent.

Finance & Banking

PRC: Settlements in Foreign Currency Banned

OWI107081396 Beijing XINHUA in English
0806 GMT 11 Jul 96

[FBIS Transcribed Text] Beijing, July 11 (XINHUA) — The practice of quoting prices and settling accounts using foreign currency within China is forbidden, a recent government notice has reiterated.

The notice, jointly issued by the State Administration of Exchange Control and the State Administration for

Industry and Commerce, says that no domestic units are allowed to quote prices and settle accounts using foreign currencies.

Those who violate the regulations without permission will be severely punished in accordance with rules on the management of foreign exchange, according to the notice.

In the notice, the government also bans advertisements that include the forbidden practices in their materials.

Punishment will be meted out, in accordance with the Advertisement Law, to those who design, produce and publish advertisements with such content, the notice says.

The notice points out that some units are guilty of the violations, and are seriously disturbing China's financial management order.

China issued the price/currency ban on January 1, 1994.

PRC: Treasury Bonds Make Dazzling Debut

HK1507073196 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English
13 Jul 96 p 1

[By Foo Choy Peng]

[PTS Transcribed Text for FBIS] China's 10-year treasury bonds yesterday made the most dazzling debut of any government debt issue since the mainland exchanges reopened in December 1990.

The highly sought-after debt securities opened at 105.77 yuan (about HK\$98.36) on the Shanghai Stock Exchange and reached a high of 109.40 yuan before closing at 108.90 yuan on a robust turnover of 11.9 billion yuan. The bonds have a par value of 100 yuan.

"A price rise on this level of turnover was unprecedented," Xu Bin, a Shanghai Finance Securities investment fund trader, said.

The 24.9 billion yuan of bonds the first 10-year issue since 1981, carry a nominal interest of 11.83 per cent, which is paid annually. This is 2.65 percentage points higher than the interest for one-year savings deposits.

Analysts said declining inflation and interest rates made the 10-year bonds highly attractive to investors. China cut interest rates on May 1 and many expect a second cut in September.

Based on retail inflation of 7.1 per cent in the first six months, Beijing is confident it can keep the rate below 10 per cent this year, after 14.8 per cent last year and 21.7 per cent in 1994.

In Shenzhen, the bonds opened even higher at 107.50 yuan and closed at 108.88 yuan.

Previously, the most active government papers were the three-year bonds issued this year, which went up 0.80 yuan on April 1, its first trading day.

Brokers said institutional investors, such as banks and insurance companies, went on a buying spree as soon as trading opened at 9.30 am. In just 16 minutes, the price of the 10-year securities shot up to 107.60 yuan.

An avalanche of buying orders came in the afternoon pushing the price to an intraday high of 109.40 yuan about 15 minutes after trading opened at 1.30 pm.

"Many bought the bonds at 107.50 and were trying to push the price to 110 yuan in order to make a profit," Lu Weiming, a China Guotai Securities trader said.

Analysts expected the bonds to continue their performance next week because there was too much institutional money waiting to snap up debt securities.

"In general, investors are optimistic about the bonds as there is very strong expectation of an interest rate cut," Luo Xu, a Guotai Securities research analyst, said.

The next batch of bonds 30 billion yuan of three-year notes to be sold next month was unlikely to affect the performance of the newly listed securities.

"Retail investors are the targets of the issue to be made next month. So it is unlikely to affect buying support for the 10-year bonds from institutional investors," Mr Lu said.

Next month's issue will come in denominations of 100 yuan, 1,000 yuan and 5,000 yuan. The principal and interest will be paid on August 6, 1999.

They will also be listed and traded on the secondary market after issuance.

China has issued seven tranches of treasury papers worth more than 112 billion yuan this year.

*PRC: RMB Exchange Issues Discussed

96CE0310A Beijing GUANLI SHIJIE
[MANAGEMENT WORLD] in Chinese 24 Mar 96
No 2, pp 35-39

[Article by Yang Fan (2791 1581), Economic Research Institute of the Chinese Academy of Social Sciences: "Several Issues Concerning Renminbi [RMB] Exchange Rate"]

[FBIS Translated Text]

1. Contradictory Movement of RMB's External and Internal Values

In 1995, an issue of considerable importance and difficult to understand was hotly debated in the theoretical, financial and business circles at home and abroad, namely: why did the RMB depreciate in internal value while appreciating in external value? The issue may summarily be described as the mutually contradictory movements created by the RMB's internal and external values. This is a practical issue, but one of policy and theoretical significance touching on macroeconomic analysis, international finance, inflation and external economic relations; it generated heated discussions in China's theoretical circles and led to two entirely different positions regarding [the RMB] depreciation or appreciation, and these require our scientific analysis and study.

The relationship between the RMB's internal and external values can be explained in terms of the relationship between domestic inflation and foreign exchange rate. The so-called RMB's internal value is reflected in the China's domestic retail sales price index; in the 16 years from 1978-1994, the China's retail sales price index rose some 250 percent. The so-called RMB's external value, i.e. its exchange rate, is the RMB value expressed in U.S. dollar, or the value of \$1 expressed in RMB. From 1978 when \$1 was exchanged for 1.7 yuan, to January 1 1994 when the exchange rate was set at 1:8.7, the RMB had depreciated 550 percent. That is to say, in the 16 years during the early period of reform, the rate of depreciation of RMB's external value relative to internal value had doubled. The main reasons were: First, the foreign exchange system reform gradually eliminated fiscal subsidy of exports through exchange rate depreciation; second, even with foreign exchange shortage, centralized planning nevertheless called for continued increase in exports at an annual rate of 20 percent; third, pressure from domestic inflation was shifted on to foreign exchange rate; fourth, inadequate foreign trade management resulted in excessively rapid increase in foreign exchange costs.

After 1994, an opposite phenomenon appeared: the RMB's internal value depreciated rapidly while its external value seemed "stable and even rising." Those holding the view that the RMB should continue to depreciate considered this to be an abnormal phenomenon. They argued that a currency's internal value determines its external value based on the purchasing power parity theory; therefore, if China's inflation rate was 20 percent and the U.S. was 5 percent, then the RMB should depreciate by around 15 percent. The phenomenon of RMB's value remaining "stable and trending upward" beginning in 1994 was indeed an abnormal phenomenon; it

was a "backlash" from the excessive RMB depreciation when the exchange rate was freed, or the result of government intervening in or controlling the utilization of foreign exchange investments. Therefore, with the relatively serious inflation in China, it was argued that the RMB must depreciate vis-a-vis foreign currencies.

By resorting mechanistically to the purchasing power parity theory, it was easy to conclude that the RMB should depreciate immediately, but such a conclusion not only would be divorced from China's realities, but also would not be in accord with the exchange rate theory or the international situation as a whole. While changes in purchasing powers of two countries' currencies determining changes in their exchange rates might appear to be a trend, the actual effect could only be seen over a long period of time; in any specific time period, however, any discrepancy between the external and internal values of a country's currency was not only not unusual but was also a normal occurrence. For example, the Japanese yen's external value continued to appreciate in the past 40 years, from \$1 to 360 yen rising to 90 yen, reflecting the increasing international competitiveness of Japanese products; but the Japanese yen's internal value remained very low, at around 180-250 yen to \$1 calculated on the basis of purchasing power parity. This was because Japan has very little land compared to the U.S.; land prices were rising faster than in the U.S., and Japanese internal purchasing power therefore was not high. The Hong Kong situation was also generally comparable. In Europe, due to the EU protected agricultural prices, the overall price level was higher than in the U.S.; it was therefore inevitable that the internal purchasing power [of European currencies] remained relatively low while the external purchasing power was relatively high.

In China, because of its dual economic system and pricing structure, the situation was more complex. In the early days of reform, China was rather slow to undertake domestic price system reform, but proceeded first to reform the foreign exchange system, linking the foreign exchange costs of exports to the exchange rate with the basic objective of promoting exports through [RMB] depreciation; after the annual export fiscal subsidies of 12 billion yuan were eliminated in 1990, and the export foreign exchange retention system abolished in 1994, the fiscal subsidy [burden] was shifted on to the exchange rate which caused the RMB exchange rate to depreciate by a large margin. Also after 1994, great changes occurred in China's foreign trade system with the abolition of centralized export planning; foreign trade enterprises basically had to be guided by economic benefits instead of exports planning; macroeconomic strategy also changed greatly

and foreign trade gradually was affected by changes in China's domestic aggregate supply and demand; at the same time, with the fixed exchanged rate replaced by a unified floating exchange rate, the clear implication was that the government would no longer shoulder foreign exchange rate risks in behalf of export enterprises, and that the domestic economy would no longer sacrifice its own stability to maintain stable and rapid exports growth. Especially of note was the implication that with a floating exchange rate system, the exchange rate would to a large extent be affected also by foreign capital, especially international venture capital, and not only by foreign trade equilibrium or the commodity price index. Therefore what transpired after 1994 was that the RMB's internal value depreciated more rapidly relative to depreciation of its external value; this was an abnormal kind of phenomenon which could not simply be explained in terms of any particular theory, but the multifaceted reasons which had bearing on the issue need to be analyzed in concrete terms.

2. Basic Reasons for RMB Exchange Rate Depreciating in Internal Value and Appreciating in External Value

With inflation in China running at around 22 percent in 1994 and around 15 percent in 1995, the RMB's internal value had depreciated by some 40 percent; in the same period, the U.S. dollar's internal value depreciated by less than 10 percent. Based on the purchasing power parity theory, the RMB's external value relative to the U.S. dollar's external value should only depreciate by some 30 percent. But, the RMB exchange rate not only did not depreciate but rose in value, from 1:8.7 rising to 1:8.4, gaining 3 percent. The general explanations for this kind of phenomenon are: First, early in 1994, when the exchange rate was freed, depreciation of the RMB exchange rate was excessive; the rate should have been set at around 1:7-7.5 instead of 1:8.7; and when the RMB depreciated by more than 25-30 percent, it meant that in the subsequent 2-3 years period, the exchange rate should be maintained at that level if not raised to absorb the some 30 percent rise in domestic inflation. Second, the government did not truly relax controls over imports; therefore, unless the government made the RMB fully convertible under the current account in 1996, carried out imports review and inspection and liberalized foreign exchange transactions, foreign exchange usage would inevitably increase, causing an unfavorable balance in foreign trade and further depreciation of the RMB.

In my view, in addition to the above two points, there were other deeper, underlying reasons.

First, the dual movement of prices was affected by the dual domestic economic structure. We should differentiate between two different types of price movements in China, price movement of production materials and that of consumer products. In the first half the economic cycle, from year-end 1991 to year-end 1993 in China, our domestic economic growth rate reached 13 percent, while prices of production materials rose 40-50 percent every year; since 80 percent of China's exports already consisted of industrial manufactured goods, production material price rise therefore immediately raised the foreign exchange costs of exports. To sustain the growth in exports, the RMB exchange rate could not but depreciate in value; this in fact was the case, and the RMB exchange rate did depreciate more than 40 percent during this period. In the latter half of the economic cycle, 1994-1996 in China, when the economic growth rate declined to around 10 percent, prices of production materials and foreign exchange costs of exports were no longer rising. In this period, however, prices of consumers goods rose by a large margin, mainly among none-export items such as housing, utility costs of water, gas and electricity, medical services, etc. and these did not exert any pressure on the exchange rate to depreciate. The basic situation has remained unchanged in 1996.

Second, supply exceeding demand in foreign exchange continued due to the large amount of foreign capital input. In the past, we did not sufficiently understand the nature of a floating exchange rate, assuming that under a fixed exchange rate, the rate would be determined by the foreign exchange costs of exports, while under a floating exchange rate, the rate would be set by the supply and demand of foreign exchange. But on the question of the effect of supply-demand of foreign exchange on exchange rate, we did not have any in-depth understanding whether exchange rate was affected by trade or non-trade accounts. Many people still sought to explain and project changes in exchange rate in terms of balance of trade, i.e. exchange rate would appreciate when exports exceeded imports and depreciate with the reverse. In reality, with implementation of a floating exchange rate, the rate was unavoidably and to a considerable extent influenced by non-trade accounts and foreign capital movement in particular; in any particular time period, the latter could even be the main cause for any changes in exchange rate. If it is said that in developed countries, irregular changes in exchange rate are due mainly to movements of international venture capital, then in developing countries, particularly in one rapidly developing and opening up to the outside world as China, foreign capital supply would exceed demand and, even with a serious unfavorable balance of trade, the exchange rate would not depreciate but rather con-

tinue to appreciate. At such times, if China's domestic enterprise reform were thoroughly implemented, increase in its international competitiveness could offset any exchange rate appreciation and ensure that exports would not decline; otherwise, exports would be affected and excessive imports would impact on the national industries to the point of triggering even a financial crisis as Mexico's with sudden depreciation of exchange rate and withdrawal of foreign capital.

But China is relatively stable compared to Mexico and this is because foreign capital in China focuses mainly on direct and long-term investments. But when international venture capital uses all kinds of methods to take advantage of China's interest and exchange rates, that situation cannot be taken lightly. With China's economy undergoing rapid growth, its economic growth rate and the rates of interest, profit as well as inflation are far higher than the average compared to the U.S. and indeed the whole world; therefore, foreign capital would certainly hope to earn any interest rate differential by buying RMB, i.e. through "overlapping interest." Under general market conditions, however, any premium on the RMB forward exchange rate would usually offset any interest rate differential and equilibrium would be maintained, but when foreign capital input was excessive, it would be impossible for the RMB exchange rate to depreciate, which results in a stable forward exchange rate so that foreign capital, after profiting from the interest rate differential, can make more profit from the exchange rate differential, i.e. through "overlapping exchange rate." If this kind of cycle which resembles a "bubble economy" were formed, it would be very bad indeed: to the extent foreign capital expects the RMB to appreciate, more foreign capital would flow into China; the greater the foreign capital input, the greater the pressure would be on the RMB to appreciate. But a bubble is after all only a bubble and will certainly burst, at which point a crisis of exchange rate and finance cannot be avoided.

Thus, of the two special reasons cited above, the first reason, the dual movement of prices, was applicable only to the latter half of the economic cycle ending in 1996. If in 1996 or 1997, China's economic growth should again accelerate and an unfavorable balance of trade reappear, then new pressure will be generated on the RMB to depreciate, even though the correct countermeasure should still be controlling the aggregate domestic supply and demand rather than depreciating the exchange rate. With the second reason, the continued inflow of foreign capital, the longer-range policy should be controlling the aggregate domestic supply and demand, while the short-range countermeasure should be strengthening foreign exchange control over the capi-

tal account, controlling not only international venture capital but also short-term direct investment by foreign businesses, because any sufficiently short-term, direct investment can "profit by the exchange interest after profiting from the interest rate." No matter what the reason, the basic policy to prevent any crisis should be controlling the aggregate domestic supply and demand and, at the same time, accelerating enterprise reform and increasing international competitiveness.

3. Regarding Issues of Exchange Rate Stability and the Current Export Tax Rebate in China

In China, the problem is not only the surplus in capital account masking the deficit in the current account, generating pressure on the exchange rate to appreciate and damaging our international competitiveness (this is a general issue for many developing countries). In the last two years, China's RMB exchange rate has in fact come under serious pressure: the "double surpluses" in the current and capital accounts resulted in increase in the foreign exchange reserves from \$15 billion at the beginning of 1994 to \$40 billion at the end of that year. Some people explained that it was the exchange settlement system which caused the government to buy up large sums of foreign exchange from several years backlog of "irregular exchanges" and that this was only a short-term phenomenon. But one cannot help but be wary when the foreign exchange reserves rose to \$70 billion in 1995.

A country's foreign exchange reserves holding cannot exceed the country's basic absorptive capacity, and it is certainly not a case of more is better. Because the term "balance sheet for international payments" means that a country's accounts are always in equilibrium, for with the trade and non-trade accounts, if one is in deficit, the other is in surplus. If a "double surpluses" phenomenon appeared, then the "balance of accounts" would be under great pressure, which either comes from a country's lending money abroad or from increase in its foreign exchange reserves holding. There are two ways to grow foreign exchange reserves: One way is to keep the foreign exchange in one's own country which is no different from a "landlord burying gold in his land," a total waste of money which produces no interest. Another way is to earn interest from foreign exchange by banking it abroad but that is no different from a massive capital outflow. It is a stupid strategy indeed for any country to pay the big price of inflation at home through uncontrolled purchase of foreign exchange which is not utilized at home but is kept abroad to earn interest.

There are people in China who, out of self interest in view of the decidedly favorable capital account

balance, would energetically advocate using exchange rate depreciation to maintain the huge current account surplus; these people certainly are irresponsible. For the implication of their position is that the government would be forced to alter the law of economics, throw large sums of RMB into purchasing foreign exchange, and change what otherwise would be an exchange rate appreciation to one of depreciation. By citing one reason or another, such attempts continued to be made: In 1993, it was the imminent accession to the GATT which would expand imports, therefore enterprises as well as individuals were encouraged to buy and keep foreign exchange; in 1994, it was "the pressure of domestic inflation on exchange rate;" in 1995, it was the inadequate export tax rebate.

In a planned economy, foreign exchange shortage was the most acute of all shortages, while exports planning was at the heart of all planning. When the government had a monopoly over foreign exchange, state-owned foreign trading companies had only to complete their exports goals, then let any and all losses be covered by government fiscal subsidies. In 1990, in China's foreign trade, international customary rules were adhered to, exports fiscal subsidy was abolished and, at the same time, the RMB exchange rate allowed to depreciate to the actual level of foreign exchange costs of exports. In reality, however, the processing involved shifting the pressure from fiscal subsidy to prices (exchange rate being the RMB's foreign exchange price).

Whether applying for government fiscal subsidy or calling for RMB depreciation, the crucial numbers were the "foreign exchange costs of exports;" i.e., for every \$1 foreign exchange earned from exports, what was the price paid in terms of RMB? In the early 1990s, the foreign exchange costs of exports of China's silkwear and native special products did not exceed two yuan, but the costs for chemical, manufactured and electronic products reached 10 yuan. The "average foreign exchange costs of exports" was a figure kept secret in reports submitted every year by the Ministry of Foreign Trade and, only with the approval of the Finance Ministry and State Planning Commission, could fiscal subsidies be provided by the central treasury. After the abolition of fiscal subsidy, state-owned foreign trade companies continued to raise the foreign exchange costs of exports based on their own statistics (an increase of approximately 0.3-0.4 [yuan] every year), and they continued to demand that the Central government depreciate the exchange rate, for otherwise the "next year's exports cannot be guaranteed."

At the time when the government foreign exchange reserves were limited and state-owned trading company

groups were exclusively relied upon to earn foreign exchange through exports, the warning that exports could not be sustained unless foreign exchange costs were brought to the exchange rate level inevitably frightened Central government's decision makers into taking action. Whether the reason was "fiscal stringency" cited by the Finance Ministry, or "stabilizing prices" given by the State Planning Commission and Commodity Prices Bureau, whether it was due to society's dissatisfaction with the specialization in foreign trade, or to foreign scholars' criticism of "increasing poverty through export," developing countries invariably ended up promoting and expanding exports regardless of costs; the more was exported, the greater the outflow of domestic wealth, but no censure or blame could change the Central government's posture that "accumulating foreign exchange is a good thing;" therefore the warning that "unless foreign exchange costs reached the actual exchange cost level, exports cannot be guaranteed" always led to exchange rate depreciation.

At present, with respect to the above "warning," the problem was mainly one of tax cheating and ineffective implementation of the export tax rebate policy. After abolishing the annually 12 billion yuan of fiscal subsidy for exports, China put into practice a system of export tax rebate in accordance with international customary practices. The problem however was the excessively rapid increase in the amount required for export tax rebates. In 1985, that amount was 1.98 billion yuan, in 1989, it was 18 billion yuan; in 1994, the plan called for 44.5 billion yuan but fell short by 22.5 billion yuan; in 1995, 55 billion yuan were allocated but, after subtracting the previous year's shortfall, only 25 billion yuan were left for tax rebates. Because the China's domestic tax system was imperfect, tax rebate cheating through bogus export became very serious; it was as if the government were subsidizing the export tax rebate even when some of the subsidy was not supporting exports. This also shows that because China was then anxious to reenter the GATT and adhere to customary international practices, the government set up the new tax rebate system ahead of domestic taxation system reform and which exceeded the government's capacity to manage.

Prior to launching the taxation system reform in 1994, the export tax rebate rate averaged 11.2 percent; after the new taxation system was in place, the rate was changed to 13 percent and 17 percent and, after adjusting for costs of domestic tax, averaging 14.2 percent. In reality, taxes on export goods were not increased, but since the export tax rebate rate was 3 percentage points higher than the actual tax rate, the government decided to lower the export tax rebate rate by 3 percentage points as of

1 July. Because of this change, foreign trade companies rushed to export, sharply increasing the total exports in the first half of the year. It might be inferred that because it would be difficult for exports to continue at that pace in the second half of the year, exchange rate depreciation might have to be used to stimulate exports. In reality, however, in all of 1995, the rate of increase of China's exports surpassed that of imports, and both trade and non-trade accounts were in surplus, and the country's international balance of trade produced a surplus of around \$20 billion. The RMB exchange rate could only be on an appreciating trend.

I am opposed to relying on RMB depreciation to make up for the export tax rebate shortfall, for tax rebate is a fiscal policy issue and cheating on export tax is a management issue, and neither should use exchange rate depreciation and shift the burden on to domestic inflation.

When the annual \$12 billion export fiscal subsidy was abolished in 1990, planned exports for that year totalled \$40 billion and required an average of 0.3 yuan RMB subsidy for every \$1 of export; after the subsidy was abolished, the RMB should in theory depreciate by 0.3 yuan, but the exchange rate in fact depreciated from 1:3.7 in 1990 to 1:8.7 in 1994; a large part of the depreciation was certainly not due to the foreign exchange system reform but was because domestic price increases; and a major share of price increases resulted not from the domestic price system reform but from domestic inflation. It can be said that the price reform or exchange rate reform as causal factors have been disposed of, and the main cause for depreciation of exchange rate in recent years was after all domestic inflation itself; and calling for further depreciation will only create a vicious cycle of the RMB depreciating in internal and external values; it will greatly increase the external debt and imports burdens and will certainly lead to losses in overall benefits without exercising the fiscal function of export tax rebate.

Depreciation of exchange rate and adjustment of prices are both monetary measures and the main reason why monetary measures cannot be used in place of fiscal measures is that the two are different in character. Fiscal measures are used to deal with structural economic issues, while monetary measures are used to solve aggregate economic issues. In the early days of reform, China abolished fiscal subsidy and relied instead on price adjustment which, even in the context of reform, had its shortcomings. For example, in export subsidies and rebates, specific industries were targeted and special encouragement was given to exports of processed goods. When exchange rate depreciation was used to promote exports, products with high foreign exchange costs of

exports suffered no losses as was the case in the past, but for products with low foreign exchange costs (a majority of these were price-inelastic native products and silkwear), their high profit margin led to panic buying; with high prices stimulating greater production, supply very quickly exceeded demand and the resulting sharply falling prices wrecked havoc on their basic production and export pattern and caused heavy losses. Thus, no matter how far exchange rate is depreciated, fiscal subsidy or tax reduction or waiver may still be required to coordinate and adjust the export structure. Those who advocate using exchange rate depreciation to deal with the export tax rebate shortfall are making a fundamental mistake in basic economics.

Today, in macroeconomic coordination and control, we face a very dangerous trend whereby the government is forced into using price adjustments instead of fiscal measures to cope with fiscal difficulties or administrative ineffectiveness. It was a step forward to announce that banks are prohibited from making up fiscal red ink of government, but any large increase in the national debts nevertheless leads to increased monetary supply. As for the historic debt burden and social responsibility of state-owned enterprises, or the problems of chaotic tax collections including faking and cheating of export tax rebate, these are issues to be rectified by the government which itself poses issues to be rectified; and because fiscal and monetary measures serve different functions, such actions as shifting the burden to the society by increasing the money supply and depreciating the exchange rate produce no concrete results. This kind of "seeing any doctor and taking the wrong medicine for the illness" approach is reflected in the current export tax rebate issue. The correct approach is tackling the cheating in export tax head-on while at the same time resuming certain fiscal subsidy measures such as direct subsidies to large-scale export enterprises or certain products, but the prerequisite condition nevertheless is firmly tackling corruption and raising administrative efficiency.

Summarizing the above, I can project and recommend that a basically stable RMB exchange rate be maintained in 1996, allowing for marginal adjustments based on changes in the U.S. dollar value. If the U.S. dollar should depreciate vis-a-vis the Japanese yen, the RMB can appreciate or, on the other hand, depreciate in value. China's domestic economy as a whole is not likely to overheat in 1996, its aggregate international balance of payments is likely to remain in surplus, and an unfavorable balance of trade is not a real possibility; therefore under the condition of maintaining a stable exchange rate, China should unify custom duties, relax

import controls and put into practice truly free RMB convertibility under the current account.

As for possibility of high economic growth resuming in 1997 and beyond, I should express first my personal objection to any RMB exchange rate depreciation but, second, my reluctant concurrence to such action only if there were no other choices and then to act with prudence. We must guard against being trapped in a vicious cycle of domestic inflation and RMB exchange rate depreciation. The ideal scenario would be that during the middle period of reform in the next 15-20 years, China can complete reform in depth and at the same time maintain basic economic, political and social stability. The so-called "stable economic environment" scenario mainly requires the maintenance of stable RMB internal and external values. The theory of purchasing power parity has an impact over the longer term: if virulent inflation should break out in China, sooner or later the exchange rate bubble will burst and the RMB will suddenly and sharply depreciate in value; since RMB depreciation is caused by expectation of inflation, depreciation will quickly follow the trend of domestic inflation. In terms of future macroeconomic coordination and control, China's major responsibility is to prevent the concurrent phenomenon of excessive appreciation of RMB's external value and excessive depreciation of its internal value, to prevent any sudden, sharp and concurrent depreciation of the RMB internal and external values, and to ensure that both the RMB's external and internal values remain stable at the same time.

***PRC: Theoretical Discussion on China's Capital Market**

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[Article by Wang Guogang (3769 0948 0474) of the Policies, Laws, and Regulations Department of the Ministry of Domestic Trade: "Theoretical Reflections on Certain Questions Concerning China's Capital Market—Also on the Orientation and Trend of the Capital Market During the Ninth Five-Year Plan"]

[FBIS Translated Text] After a process of rapid growth with twists and turns during the Eighth Five-Year Plan, China's capital market is now entering the year 1996 against the backdrop of moderate austere macroscopic monetary operation. This coming year, as the first year of the Ninth Five-Year Plan, is of crucial importance to the setting of the future orientation of China's capital market. Therefore, it is an important matter to review the changes that took place in the Eighth Five-Year Plan

and to explore and identify the basic trend of market development.

I. The Great Background: Restraints on the Growing Capital Market and the Solution

China's capital market exists and grows against the great background of economic reform and development. Various factors are influencing this process in an intricate manner, some are expediting the development of the capital market, while others are restraining or even hindering its growth. Therefore, it is quite natural that the growth of the capital market will be a tortuous and difficult process. Over the past five years, thanks to the impetus generated by rapid economic growth, the capital market has been expanding relentlessly, with the variety of capital products increasing from just more than 20 to about 400 (or over 5,000, if unlisted stocks of companies that secure their capital only through specific channels and other investment fund vouchers are counted), about 5,000 enterprises were converted into joint-stock limited companies, the total stocks issued (as per face value, including companies that secure their capital only through specific channels) increasing to about 200 billion yuan, and the market turnover increasing from several ten million yuan to several trillion yuan. Nowadays, market management regulations have covered the enterprises' transition to new systems, the issue of stocks, market transactions, organizational management, release of information, asset evaluation, financial auditing, and other areas; the quality of market administration, business firms, and investors have all improved remarkably, and market operations have been much standardized. Hence the capital market has become one of the few markets that draw the most attention. Undoubtedly the capital market has had a power strong enough to impact on and challenge the traditional structure. However, factors that restrain and hinder the growth of the capital market still remain powerful.

A review of the development during the Eighth Five-Year Plan shows that there are many factors restraining the growth of the capital market. The principal ones follow:

1. **Structure.** Since China's capital market was born at a time when the traditional structure of the planned economy was continuing to operate and the market economic sector was growing and developing, it is inevitable that this capital market is subject to the strong restraint imposed by the traditional structure. These restraints are specifically reflected in the following aspects: a) As far as enterprises are concerned, the joint-stock limited company structure has been established, and the "Company Law" has expressly defined shareholders' rights and interests, the company's internal organiza-

tional structure, and the company's rights and interests. However, on the one hand, direct interference from the government sector continues to take place; on the other, practices on the part of the company neglecting the shareholders' rights and interests occur from time to time. These practices have seriously hindered the improvement of the company's quality and impaired the modern enterprise structure's reputation among the public. Such a state of affairs has restrained the listed companies' behavior to an extremely large extent, resulting in unsatisfactory performance of these companies on the domestic market and considerably undermining their reputation in the international market. b) As far as market instruments are concerned, the issuance of bonds and stocks is still subject to planned volume control. The state treasury bond, as a kind of gilt-edged security, involves the least market risk, and therefore the interest rate it offers should be lower than other securities. However, as a matter of fact, the state treasury bond's interest rate has remained higher than the current savings interest rate for individual depositors, and, as a mandatory rule, the interest rate for bonds issued by enterprises is not allowed to be set higher than that for the treasury bond. The issuance of stocks (Categories A, B, H, and N) is subject to strict planned volume control. It is not unusual that an enterprise with poor performance still can become a listed company and issue stocks on the market so long as it is assigned with quotas to issue stocks. This phenomenon has made it difficult for the authorities to regulate the behavior of companies (particular listed companies) and for the market management department to exercise its monitoring and control functions. c) As far as intermediary agencies are concerned, quite a number of stock trading agencies, accountants' firms, law firms, assessment services, consultant firms, and other intermediary agencies have worked together with local government departments to erect regional barriers to business operation, or even to try to protect monopoly and curb competition by administrative means. Some intermediary agencies have been directly authorized as government departments' operational and fee-collecting organizations. Therefore, how to regulate these agencies' behavior has become a major concern. d) As far as the making of laws is concerned, some government departments have always considered the making of relevant laws and the formulation of departmental ordinances and regulations from their own departmental interests. As a result, on the one hand we have seen, in the making of legal documents, disputes between different concerned departments centering around "contention for power and interests," in contrast to the mediation efforts to settle these disputes; on the other, we have seen contradictions between laws and regulations formulated by different departments concerned on their own, and

enterprises and other organizations are all at sea as to which laws and regulations to follow. Thus the influence of the traditional structure is quite obvious.

2. Policy. In contrast with the dual structure, the policy has also been swinging between two states. a) As far as joint-stock companies are concerned, while promoting the market economy in 1992, the State Council introduced 13 laws and sets of regulations concerning joint-stock companies, including the "Opinions on Regulation of Joint-Stock Limited Companies." More than 5,000 joint-stock limited companies have been set up in this country (the vast majority of which are companies that secure capital only through selected channels). After 1994, with macroeconomic control being tightened up and in the wake of the implementation of the "Company Law," the legal status and prospective development trend of those unlisted joint-stock limited companies has emerged as a pending issue. Although the "Company Law" provides that the State Council is to set forth some other specific procedures to deal with the case of companies that secure capital only through limited channels, nothing has yet been produced in this regard over the past two years. In 1995, in the course of the establishment of the modern enterprise system, quite a number of local government departments and enterprises which were discouraged by the experience in previous years did not want to rush into action, and that made the introduction of the company system slow down considerably. b) As far as policy orientation is concerned, the keynote was basically set for "decontrol" in 1992-93, then it was changed into "tightening control" in 1994. The drastic, substantial change in the policy orientation and keynote over the past few years has disturbed people's expectations and made many departments and organizations feel that it is difficult to adapt to the changing situation. Since the market force can hardly offset strong policy influence, and the making of policies is often unforeseeable and very much bent to willful thinking, one cannot but closely follow the ever-changing policies while taking part in market operation. Therefore, China's stock market is known as a "market influenced by policies" and an "information-sensitive market." c) As far as intermediary organizations are concerned, the behavior of Chinese organizations within China is subject to various restraints, and so far the idea of going out of the country to promote international operations and establish links with the international market remains a "forbidden zone" for the policymakers. Meanwhile, foreign-funded firms have been entering China's market and competing with their Chinese counterparts in those areas where they have been granted access according to the policy, and they have also staged "offensive tactics" to seek to enter other business areas to which they have not yet been granted

access by the policy. This inequality between Chinese and foreign firms on the market is not favorable to the maturity of the Chinese organizations and the regulation of their behavior, nor is it favorable to the healthy growth and maturity of China's stock market. d) As far as the market system is concerned, at present, apart from the two stock exchanges, there are more than 100 stock trading centers and property rights transaction centers operating around the country. Most of these "centers" are operating in the name of some local government departments, and they were founded with the support of the government departments concerned and the endorsement by the relevant policy. However, their operation is subject to rigid restrictions imposed by other departments and policies, and therefore their survival is on the balance. As for the two stock exchanges, they were founded with the State Council's approval, and they do not have to be worried about survival but, rather, development. This status quo reflects both the immaturity of China's stock market system and the important influence of the policy factors on the molding of the stock market.

3. Concept. The structure and policy issues are, in the final analysis, an issue of concept. a) As far as the ownership system is concerned, until now some people still maintain that capital formed by funds pooled together from the vast number of investors is non-public-owned, therefore, in order to safeguard and develop the public-owned economy, it is necessary to limit the inflow of funds from individual investors into a joint-stock company. And, even though staff shares and public stocks are allowed, their volume must be controlled within a certain limit so as to safeguard the state-owned stocks and corporate stocks' dominant status. The application of this concept to the actual operation of business has affected individual investors' rights and interests. b) As far as property relations are concerned, quite a number of enterprises believe that once the capital is secured, the enterprise can use it without restraint. What is more, some enterprises, based on their "corporate property rights," have tried to curtail the rights and interests of other stockholders and the general meeting of stockholders. As a result, quite a number of stockholders have felt that their basic rights and interests as stockholders are not well protected, thus their enthusiasm in investment has cooled down. This concept has an important bearing on such consequences as the difficulties in improving the performance of listed companies, difficulties for joint-stock companies to raise funds, the tendency of stock market activities motivated more by speculation than real investment, and so on. c) As far as the market is concerned, some people hold that indirect financing can facilitate macroeconomic control by the government, while a boom of direct financing

(of non-state-bond categories) will be unfavorable to the centralized control and use of funds, and will possibly result in a chaos in investment and financing activities; therefore direct financing should be contained. This is one of the important reasons why the capital market's status in the monetary market has remained uncertain so far despite its rapid growth over the past few years. d) As far as investment returns are concerned, some people have been misled by one-sided propaganda in the beginning, believing that the capital market is a source of high returns. Having seen some investors temporarily gain high returns from their investments, these people rushed to the conclusion that, likewise, all investors would gain handsome rewards from investments (they were simply blind to the fact that the market itself does not create any value, some investors' high returns from investments are based on other investors' losses, and these high returns may be transferred to some other people's pockets in future market investments). So they have further extrapolated that the development of the capital market will lead to a widening gap in income between the rich and the poor. Therefore they advocate a containment of the capital market. The many ideological factors that impede the development of the capital market are not to be further elaborated here. In this regard, there are plenty of noneconomic issues besides economic ones. To solve all these issues is by no means a simple matter.

During the Ninth Five-Year Plan, the capital market will continue to grow under the influence of all the aforementioned constraints. How strong the influence of these constraints will be and whether they can be overcome will depend on opportunities and environment that will emerge, as well as on the progress in the regularization of the capital market itself, which appears to be still more decisive as shown by the current trend. Therefore, on the one hand, all the organizations and people of all circles playing a part in the market should regulate their objectives and behavior out of the consideration of safeguarding and promoting the growth of the capital market, the greater difficulty they meet in business operations, the more they need to guard against the tendency of being overanxious for quick success and instant benefit, lest their behavior should lend others an opportunity to attack them; on the other hand, they should pay particular attention to the study of theories on the capital market, find out how the market's operational mechanism works, the rules it follows, the intrinsic requirements it has to fulfill, its status, functions, and significance in the evolution of the economic structure and the mode of economic growth, and its relations with other economic activities. We need to step up propaganda and education in this regard, ensure that the public will have a comprehensive

understanding on the capital market, and thus cultivate a good common understanding for the making of relevant laws, policy readjustment, and social support.

II. State Treasury Bond Market: Main Problems and Basic Trends

In China, the basic motive for issuing state treasury bonds is to make up financial deficits. Since the beginning of the 1980's, financial deficits have kept occurring in consecutive years and the size of deficits has been constantly increasing. In 1981, the balance of financial revenues and expenditures registered a deficit of 7,416 million yuan, and the value of treasury bonds issued in that year totaled 4,866 million yuan; in 1993, the balance of financial revenues and expenditures registered a deficit of 58,977 million yuan, and the value of treasury bonds issued that year totaled 38,477 million yuan. So both the balance of financial revenues and expenditures and the volume of annually issued treasury bonds increased by nearly 700 percent in 13 years. In 1994, the volume of the sales of treasury bonds drastically topped 100 billion yuan; then in 1995, the total sales volume further soared to a new high to exceed 150 billion yuan. In 1996, the total sales volume of treasury bonds is expected to near 200 billion yuan.

For a long time, the sales of treasury bonds have shown the following special characteristics: 1) Treasury bonds are mainly sold to individuals and financial institutions. Individual citizens account for a pretty large proportion of the treasury bond holders. In 1993, individual citizens held as much as over 80 percent of the issued treasury bonds. Although the proportion declined after 1994, it still remains higher than 60 percent. The 13.5 billion yuan's worth of treasury bonds issued as the first batch this year was again mainly sold to individual buyers. The situation in which individual citizens hold a higher percentage of the issued treasury bonds will last. 2) In the wake of the increase in both financial deficits and sales of treasury bonds, the dependence of financial expenditures on sales of treasury bonds as a source of funds has been increasing. The dependence of financial expenditures on loans increased from around 6 percent in 1983 to over 20 percent in 1993. Since the financial status is unlikely to improve in the near future, and the repayment of principal and payment of interest on treasury bonds are to increase along with the increase in the liquidated balance of treasury bonds, one can expect that the treasury bond market will continue to dominate the capital market during the Ninth Five-Year Plan.

However, China's treasury bond market, which undertakes to raise a large amount of funds to support the state's finances, is currently facing many problems that need to be solved: 1) Interest rate. Whether treasury

bonds are sold well depends directly on the rate of interest on treasury bonds. Over the past 10 years or so, the nominal rate of treasury bonds was set basically by an administrative process. This has led to a peculiar phenomenon which is against the general rule—the nominal rate of treasury bonds sold to individual citizens usually is higher than the savings deposit interest rate (by about 2 percent) in the same period. Sometimes (1993, for instance), in order to make sure that treasury bonds would be sell well, the government even made it a rule that the nominal rate of bonds issued by enterprises must not be higher than the nominal rate of treasury bonds. This practice of fixing the interest rate has on the one hand increased the debt burden of the state treasury and, on the other, intensified the contradictions within China's interest rate system. 2) Maturity. Treasury bonds' maturity is getting shorter and shorter. Treasury bonds issued before 1984 generally had a maturity ranging from five to nine years. After 1985, the proportion of treasury bonds with a maturity of over five years gradually decreased, while the proportion of treasury bonds with a maturity of three years was gradually increasing. In 1994 and 1995, treasury bonds sold to individual citizens were mostly of a maturity of three years. At present, most of the unliquidated treasury bonds are of a maturity of three or five years. There are few treasury bonds with a long maturity (of over eight years) or a short maturity (of less than a year). Although the first batch of treasury bonds issued this year has a maturity of one year, their quantity is not great enough to substantially change the existing maturity mix of treasury bonds. 3) Distribution. Treasury bonds were first distributed purely by the means of administrative apportioning. After 1987, treasury bonds have been distributed mainly through primary underwriters. Before 1995, treasury bonds were distributed as per face value, which was set by an administrative process. The first batch of treasury bonds sold this year was distributed as per market competitive price with discount. But whether the method of price fixing by an administrative process can be completely discarded henceforth has yet to be seen. 4) The prospective buyers of treasury bonds. The final purchasers of treasury bonds are selected before the bonds are distributed. The basic distribution procedures are as follows: first the Ministry of Finance wholesales treasury bonds to primary underwriters, and the underwriters will in turn sell the bonds to final purchasers (individual citizens or organizations). So a large amount of treasury bonds are distributed among hundreds of millions of individuals. 5) Circulation. In China, quite an amount of treasury bonds have been marked nonnegotiable before distribution. On the other hand, the portion of negotiable treasury bonds, which are extensively distributed among individual citizens, actually remain nonnegotiable be-

cause of lack of bond trading firms operating nearby. Thus it can be seen that quite a large portion of treasury bonds are nonnegotiable.

It is quite clear that the current treasury bond mix in China (in terms of interest rate, maturity, variety, and negotiability) is very much incompatible with market demand. For this reason, the government cannot but resort to high interest rates or even administrative means to promote the sales of treasury bonds in an ever-increasing volume. The direct consequences of this practice are, on the one hand, the gradual increase in the government's financing cost; and, on the other, the deteriorating conditions for the distribution of treasury bonds. It is one of our important tasks to change this situation during the Ninth Five-Year Plan.

In a sound market economy, national debts have three basic functions: first, the financial function, that is, raising funds to make up financial deficits; second, the monetary function—all types of national debts with varying maturity should serve as a guide of standard interest rates in the monetary market before they get mature; third, the regulating and controlling function—the national debt market, as an important part of the monetary market, serves as the market basis for indirect macroscopic monetary regulation and control. For a long time, our national debt authority have laid more stress on national debts' financial function but overlooked their other functions. Nevertheless, the national debts' other functions are something real, and if the government does not take the initiative in using and exploring these functions, other participants in the market will go ahead to discover and explore them. There is strong evidence for this—in recent years some monetary establishments have introduced such services as the purchase of national debts from individual holders at a lower price, national debt buy-backs, national debt management agent services, and so on. This situation has caused an abnormal fluctuation in the national debt market, and affected the operation of the monetary market as a whole or even the monetary system as a whole. Therefore, we should set great store indeed by the improvement of the national debt market and the national debt policy as well.

During the Ninth Five-Year Plan, the national debt market will experience the following changes: 1) The distribution volume of national debts will increase remarkably. The volume of national debts issued may top 200 billion yuan in 1996, with the volume of state treasury bonds alone ranging from 180 to 200 billion yuan, and the volume of national investment bonds ranging from 30 to 50 billion yuan if this type of bonds are really put on sale. Should there be no policy adjustment of the volume of national debts, the

annual volume of national debts issued will possibly have reached 300-400 billion yuan by the turn of the century. Thus it can be seen that there will be no obvious change in the structure of China's securities distribution market, which is dominated by state treasury bonds. 2) Some terms and conditions for national debt distribution will be adjusted. As far as the maturity period is concerned, the national debt structure mainly formed by three-year-term and five-year-term national debts will possibly change into a structure formed by short-term (less than one year), medium-term (three-five years), and long-term (more than eight year) national debts. As far as the interest rate is concerned, there will possibly be a change in the present case in which the interest rate for national debts is set simply according to (equal to or higher than) the current interest rate offered by banks. 3) The national debt transaction volume will be gradually increasing. The network of national debt trading firms will further expand accordingly, and all transaction systems in the country will be gradually linked up. After April 1996, the People's Bank will launch its open market operation, thus the national debt transaction volume will increase gradually. However, in the near future, transactions on national debts will still be conducted mainly on a spot trading basis, national debt buy-backs will still be subject to strict control, and transactions on national debt futures will be unlikely to resume very soon. 4) The national debt holders' makeup will possibly change. The present national debt holders' makeup mainly formed by individuals will be gradually changed in the wake of the increase in institutional buyers and the introduction of an open market operation. 5) New national debt products will be developed. Based on all the above conditions, the development of national debt funds and other types of national debt securities will have the support of government policies, thus the national debt market will be diversified.

III. Enterprise Bonds: Volume Control and Swap of Debts Into Securities

In China's capital market, enterprise bonds (including financial bonds) are a field that draws less attention. A cumulative total of 22.5 billion yuan's worth of enterprise bonds (including 9.5 billion yuan's worth of financial bonds) was issued in seven years from 1981 to 1987. Then the volume of enterprise bonds issued rapidly increased, and a total of 147,056 million yuan's worth of enterprise bonds (including 33,395 billion yuan's worth of financial bonds) was issued in five years from 1988 to 1992. After that, however, the volume of enterprise bonds issued decreased abruptly. In 1993, only 2,006 million yuan's worth of enterprise bonds were issued. From 1994 onward, as policy-oriented banks were founded, financial bonds issued by these

banks have increased remarkably. But these bonds were issued very much for the purpose of implementation of specific policies, and they were basically distributed among commercial banks. Therefore, to a considerable extent, these bonds are separated from the market. As compared with the case of these bonds, the volume of other industrial and commercial enterprise bonds is rather small.

In controlling the distribution of enterprise bonds, the government originally meant to control the investment scale. However, since there exists an irregular capital market that is beyond the government's control, enterprises actually can raise funds through various channels. In 1993-1994, despite financial retrenchment and rigid credit control, the asset-liability ratio of economically independent industrial enterprises in the state-owned and joint-stock economic sectors increased from 67.5 percent and 51.3 percent to 67.9 percent and 53.9 percent respectively, corresponding to an increase in absolute value of 408,968 million yuan and 110,715 million yuan. This showed that the government had not only failed to fulfill its ultimate goal of controlling the enterprise bond distribution volume, but this policy measure had instead forced enterprises to turn to the irregular market to raise funds, giving rise to many irregular, covert, nonmarket financing activities and liabilities. Apparently the integrated economic effects of the operation to control the distribution of enterprise bonds were unsatisfactory. In order to change this situation, it is necessary to promote the development of the enterprise bond market. In this connection, work should be started in three aspects: 1) Exercising a control by "standards." Since enterprises have complicated sources of liabilities, the problem can hardly be solved by controlling the enterprise bond distribution volume alone. So we would rather formulate some relevant laws and regulations, apply them as "standards" to the control of distribution of enterprise bonds, and expedite the development of a nationwide enterprise bond market step by step, than let covert financing activities massively occur. This will not only help change the situation in which enterprises survive on financial support from the government and banks alone, but will also help promote the regularization of financing activities and the normalization of financial order. 2) Diversification of enterprise bonds. Within the framework of control by "standards," the variety of enterprise bonds should suit enterprises' specific demand for funds. Since different enterprises have different needs, enterprise bonds should be diversified as well. For example, listed companies may issue convertible bonds, export-oriented enterprises may issue bonds priced in foreign currencies, enterprises that need long-term funds may issue long-term bonds, and investors running a project may issue bonds to raise

funds for that specific project. Within the framework of control by "standards," enterprises must make sure the following problems are properly solved, no matter what types of bonds they issue: first, it is necessary to introduce appropriate legal standards to tighten control; second, the interest rate, maturity, prospective buyers, and other structural elements of enterprise bonds should be determined by the market; third, it is necessary to open up a regular, properly managed market for the circulation of enterprise bonds; and fourth, in order to ensure that this market will operate on the principle of "openness, fairness, and justice," it is necessary to set up authoritative, independent, and professional bond rating organizations, and this kind of organizations had better practice an unlimited responsibility system. 3) The conversion of enterprises' liabilities into securities. During the development of the enterprise bond market, we should set much store by the process of conversion of enterprises' current liabilities into securities. To creditors, the conversion of enterprises' current liabilities is in fact the conversion of their claimable assets into securities. This helps banks and other creditors extricate themselves from the debt chain, and submits enterprises' management of liabilities and assets to the society's control and supervision. The conversion of enterprises' current liabilities into securities mainly means to convert banks' loan assets and account receivables into securities. In order to ensure smooth progress in this process of conversion, it is necessary to establish a number of organizations specialized in reassessment of creditor's rights and a transaction market favorable to the circulation of bonds.

IV. Stock Market: Regularization and Adjustment of the Market System

Our country's stock market has drawn a lot of attention from the public at home and foreign investors as well. Generally speaking, this is because of three reasons: 1) The consideration of interests. The development of the stock market in recent years has provided individuals and institutional investors with an important investment channel. By the end of 1995, more than 10 million individual investors had opened accounts with the Shanghai and Shenzhen stock exchanges. If both individual stockholders of those companies which secure funds only through some specific channels and corporate stockholders of all joint-stock companies are counted, then the total number of stockholders will be about 18 million. Besides, we have issued B, H, and N stocks abroad, holders of these stocks number in the ten thousands. Investors' main purpose in investing in enterprises and the market is to seek profits. The market's operational conditions have a direct bearing on their profit. In particular, since China's stock market has changed tremendously in

recent years and was hardly predictable because of lack of rules and regulations, investors still strongly feel that they need to constantly pay attention to developments on the market. 2) The symbol of reform. China's stock market was born amid reform and opening up. Many people, at home and abroad alike, regard it as an important part of the reform and, to a certain extent, use it as a ruler to measure the intensity of reform. Therefore, they are concerned about the growth of the stock market. On the other hand, the growth of the stock market involves many basic factors of the economic structure, and has given rise to many social problems that people have never met before (for instance, supervision by the mass media, the gap in income, and financial crimes). In fact, it requires necessary adjustment in all areas of the society. So, out of the concern for their own future and the society's future, different individuals and different organizations, viewing the case from different angles and bearing in mind their different needs, are naturally concerned about the status quo and prospects of the stock market. 3) The principle of "openness, fairness, and justice." As compared with the cases of other markets, the market principle of "openness, fairness, and justice" can be more thoroughly implemented in the capital market. Regarding "openness," while 93 securities companies, 392 trust and investment companies, and the more than 2,000 securities trading departments run by other non-bank financial institutions are releasing in good time the updated data on the stock market status; the several hundred newspapers, broadcast stations, television stations, and paging stations across the country are also promptly transmitting information about the stock market every day. Under a developing system that stresses the publicity of information, a relatively high standard has been achieved in regard to the disclosure of relevant policies and content of relevant meetings, and the release of information about fundraising activities of listed companies, listing of new stocks on the market, financial statistics, investment activities, important meetings, and so on. Regarding "fairness," all investors (individual investors, institutional investors, and government departments alike) enjoy equal stockholders' rights, no one is allowed to make any deal by any non-market behavior, everyone has to assume responsibility for his investment behavior and its consequences, and enjoys investment returns accordingly. Regarding "justice," China Securities Supervisory Council and other law enforcement departments have treated all investors and business operators on a fair basis in the market, and justly handled a series of cases regardless of the status, connections, and past achievements of the parties involved. The implementation of the principle of "openness, fairness, and justice" has enabled people of all circles to obtain relevant information and to trace

back the development of any event, thus they are urged to show much greater concern for the stock market. All the social sectors' concern about the stock market is an important condition for and an impetus to the further development of the stock market. What merits special attention is: how we are going to preserve and heighten such concern and to prevent "concern" from becoming "disappointment."

China's stock market is facing many problems. For example, the stock market is still quite young, a series of regulations and systems that should be developed have yet to be introduced, it takes some time for people to know and get familiar with the market, and the behavioral standards for relevant organizations can only be developed step by step. Apart from these, there are also many other factors not stemming from the stock market itself, while the "restraints" mentioned in part one of this article are mainly related to the stock market. In light of the circumstances during the Ninth Five-Year Plan, in order to ensure the healthy growth of the stock market, efforts should be made to properly solve the following problems:

1. Stocks and stockholders' rights. Stocks are a kind of financial instrument and voucher of ownership. A system of equality among stockholders should have been adopted to facilitate the verification, transaction, mortgage, division, gift, and inheritance of stocks, so that stockholders can exercise their rights conveniently. However, since 1992, stocks issued in this country have been vested with different status according to their owners' varying status, with state-owned stocks, corporate stocks, and personal stocks separated from each other. At the same time, stocks take only two forms—either paperless stocks or stock certificates. All listed stocks are kept in stock exchanges, while all unlisted stocks are kept under trusteeship. So investors do not have any real stocks in hand but the stockholder account cards or stock trusteeship documents issued by stock exchanges. This practice has tremendously reduced the functions of stocks, and hence caused three problems.

First, state-owned stocks and corporate stocks are not to be traded, so stockholders are deprived of this right and interest, and at the same time, it has caused difficulties to a series of efforts, such as the sound operation of stockholders' general meetings, the separation between government administration and enterprise management, the adjustment of stockholders' rights, the raising of capital by issuing rationed shares, and distribution of stock dividends. At present, in the share makeup of listed companies, the two categories of state-owned stocks and corporate stocks account for 68 percent, while negotiable stocks account for 32 percent. This implies that: a) as far

as stocks are concerned, listed companies have not fully entered the market, and their operation is quite strongly influenced by government interference and other non-market factors; b) only a relatively small portion of the stocks of listed companies have entered the market, and negotiable and nonnegotiable stocks are not completely equal in terms of rights and interests.

Second, it is hard for stockholders to exercise their rights to safeguard and protect their own interests. Over the past few years, some stockholders were faced with a lot of difficulties in relevant activities (for instance, when they attended a stockholders' meeting or authorized someone to attend a stockholders' meeting on their behalf), because they had no verifiable documents to prove their status as stockholders. Some players in the stock market who had no time to follow everyday market development had the stocks in their accounts stolen by others and thus suffered losses. Even if they may recover their stocks afterward, they will have to spend a lot of time and resources on it and they will probably have missed some opportunities. Some investors, after buying some stocks, did not feel safe because they did not keep any real stock in hand. So they did not want to hold the stock for a long period but chose to sell the stocks very soon. Some people who were trying to secure housing mortgage loans and some organizations which were applying mortgage loans with banks could not raise the mortgage on their stocks. As a result, they lost trade opportunities, and so they felt they should rather hold bonds than stocks. Some people collectively bought corporate stocks in the name of their organization, this type of stock could not be sold for a long time, and during this waiting period, there were personnel changes in the organization, so the bundle of stocks collectively held in the name of the organization had to be divided into small portions in a way that each individual's investment amount and the corresponding rights and interests were appropriately defined. Nevertheless, the indivisibility of the stock certificate made it impossible for the bundle of stocks to be divided into small portions. All these phenomena cited above have led to a grave consequence—people just do not want to keep stocks, particularly not on a long-term basis. Speculation has prevailed in the stock market, investors have been scarce, and nonpublic stocks have been unpopular. All these are closely related to the public's mentality.

Third, listed companies and the departments concerned have set much store by the tradability of stocks but neglected other functions of stocks. When setting the variety of stocks, they mainly consider the convenience of on-line transaction management. So a universal registered paperless common stock system was adopted,

and the other functions that unregistered printed stocks could render were not fully considered. In the issuing of stock, from the very beginning the stock distribution quota scheme itself implies that the stock will be listed on the market as soon as they are issued, and the authorities hardly considered the possibility of resale of stocks in accordance with enterprises' conditions and market regulations, once the stocks were first issued. On the other hand, the stocks' issuing prices are set to be basically in keeping with their market transaction prices (this implies that stock buyers are expected to sell the stocks in light of the market trading conditions, immediately after the first purchase of the stocks), and little consideration is given to the acceptability of the stock issuing prices to long-term stockholders. In addition, when dividends are shared, some listed companies, with a view to keeping up their stocks' transaction prices, give false financial data to exaggerate their profits, and often try to squeeze new capital out of stockholders by the practice of issuing bonus shares. This kind of stocks, with transactions as its primary function, has caused many difficulties of supervision by the China Securities Supervisory Council, market control by stock exchanges, the regularization of listed companies, the introduction of the modern enterprise system, the promotion of social investments, and the reform of the investment structure.

In order to improve the stock transaction system and better safeguard stockholders' rights in accordance with the nature of stocks, we have a lot of work to do. Tasks to be done include: a) To adjust the variety of stocks, introduce some printed bearer stocks, and, at the same time, take feasible measures to restore the functions, other than transaction, of paperless stocks; b) to gradually solve the problem concerning the listing of state-owned stocks and corporate stocks according to the principle of equal rights for stocks of equal value, thus paving the way for improving the quality of listed companies and solving the problem facing listed companies where government administration and enterprise management are not clearly separated; c) to regularize the system of stockholders' general meetings, safeguard stockholders' rights and interests, and strengthen stockholders' supervision over joint-stock companies (especially in regard of important personnel arrangements, major business decisions, investment projects, and the financial system of joint-stock companies); and during the above process, to actively establish and develop social organizations that can represent the stockholders' will and safeguard their rights and interests, so that isolated small holdings can be pooled together to play a role; d) to actively pave the way for gradually changing the practice of planned stock distribution control by quota, and introduce a system of stock distribution con-

trol by quota, and a system of control by "standards" within the framework of laws and regulations; and to make sure that stocks of companies that secure capital only through certain specific channels will be admitted into the market, thus preparing the necessary conditions for promoting the enterprise joint-stock system.

2. The market system. The stock market system is established according to the needs of investors (including stockholders) and enterprises and to the special characteristics of stocks. At present, China's stock market system is facing three problems:

First, the issuing market is too closely linked with the trading market. For stocks covered by the stock distribution plan, once they are issued, they will be put on the market. This is unfavorable to cultivating the market investment behavioral pattern and regulating the operation of companies. To change this situation, on the one hand we must strictly implement stock issuing and trading standards, and improve the listed company's guidance system—only those stocks that are up to standard can enter the market; on the other hand, we must practice a system that allows stocks to both enter and leave the market—once a company fails to meet the market standards, it should leave the market.

Second, there are too many trading markets jamming together, as a result there is no mutual coordination and competition between different levels, which is unfavorable to the effective development of the modern enterprise system. By the end of 1995, there had been in China more than 10 million industrial enterprises, more than 5,000 joint-stock companies, but only 311 listed companies. By the current stock issuing speed (that is, the enterprise listing speed) under planned control of the total market size, we can hardly have all the existing joint-stock enterprises listed in 30 years. What is more, from 1992 to June 1994, when joint-stock system pilot projects were under way, more than 4,000 companies which secured capital only through selected channels were founded around the country, and a total of more than 100 billion yuan's worth of corporate stocks was issued. As the "Company Law" came into force on 1 July 1994, the lawfulness of these companies which secured capital only through selected channels and the corporate stocks they issued turned out to be questionable. Now organizations holding corporate stocks number in the ten thousands and individuals holding corporate stocks number in the millions, these organizations and individuals are very uncertain about their stocks, they are exerting strong pressure on local governments and the departments and enterprises concerned, and their problem implies a potential danger of arousing other social problems. If this situation continues, the cumulative contradictions will loom large and cause the danger of

further aggravating other social problems. In order to solve these problems, new trading markets need to be opened. The conditions for this development are now ripe to a certain extent. The STAQ [Security Traders Automated Quotation] system has been operating since July 1992 and the NETS [Network for Electronic Transfers] system since April 1994 to effect trades on corporate stocks, and dozens of securities exchange centers have been established in provinces and cities. In a further regularization process, we can make full use of these markets to resume the listing operation for corporate stocks through the STAQ and NETS systems, set up new securities exchanges, and let local securities exchange centers play their role. All these actions will be of important significance to the establishment of a multilevel trading market system, the improvement of the quality of listed companies and the quality of market service, and to the maintaining of social order.

Third, the market is segmented. The stock market is highly segmented. While state-owned and corporate stocks cannot be traded on the market, those listed stocks are divided into Categories A, B, H, and N. When an enterprise's stocks are divided into Categories A and B, different categories will show different activeness and have different prices. Such a case is disadvantageous both to the displaying of the true quality of the enterprise and the unification of the market. After the latter half of 1995, B, H, and N stocks' performance have been poor on the international market. This has to a certain extent damaged our country's and enterprises' images in the world, and foreign investors have been very disappointed in the "China concept." During the Ninth Five-Year Plan, the problem of exchangeability of renminbi will be gradually resolved, preparing an important condition for solving the problem of segmented market. However, in order to truly solve this problem, we still need to solve a series of other problems, such as the improvement in the administrative departments' performance in monitoring and supervising market operations, the quality of securities dealers and other intermediary organizations, the building of the market system, and the quality of investors.

3. The variety of stocks. The variety of stocks should be diversified according to different needs, risks involved, and potential returns of investors and enterprises (or projects). However, at present, we basically have only one kind of stocks, that is, listed common stocks. This does not satisfy the needs of investors and fund users, nor is it good for the improvement of the market. Some phenomena over the past few years merit attention. a) While inflation was getting worse and banks' bad assets were increasing, residents' savings deposits constantly were increasing by a wide margin. In

1993-1995, residents' deposits totaled 1,520.35 billion yuan, 2,151.88 billion yuan, and 2,970 billion yuan in the chronological order, respectively an increase of 29.29, 83.46, and 152.56 percent over the 1992 record of 1,175.94 billion yuan. This trend of growth was to a very large extent the result of too limited choices of investment products available to individual investors. b) As quite a number of enterprises and projects were facing a serious shortage of funds (especially capital), they were forced to put off project completion dates, thus resulting in waste of funds and a decline in economic returns; on the other hand, they had to offer some shares to foreign investors on preferential terms, which meant losses in state properties. At present, investors from abroad are taking advantage of the shortage of funds on the part of our enterprises and projects, and they have often tried to acquire our enterprises and projects in various forms, asked for lower prices, and intervened in the business operation. Foreign interests' involvement in our infrastructure, high technology, pillar industries, and other sectors will cause serious consequences affecting the future economic and social development of our country. c) The establishment of the capital system is a basic precondition for the implementation of the modern enterprise system. In China, the asset-liability ratio of enterprises is extremely unreasonable with the short amount of capital going up to over 1,000 billion yuan. Such a big shortage can hardly be filled up by financial investment alone (in recent years, the amount of financial appropriations available for investment was generally about 70 billion yuan a year, including nonproductive investments). For this reason, and given the lack of investments from individual investors, the establishment of the modern enterprise system will certainly be seriously affected, so will the establishment of the new market economy structure.

To change all the above circumstances, it is necessary to increase the variety of stocks (and securities that are related to stocks). Specific measures to be adopted include: a) to introduce preference stocks and change part of state-owned and corporate stocks into preference stocks; b) to issue convertible bonds, establish a link between stocks and bonds, thus providing individual investors with more options; c) to establish a project construction stock system, ease the shortage of capital to be used to finance large-scale infrastructure projects, high-technology industries, and pillar industries, and encourage the flow of capital to construction of key projects; d) to establish the corporate stock fund, with a view to gradually solving some of the problems related to the corporate stocks issued by companies that secure capital only through some specific channels; e) to establish the stock index fund and introduce stock

index trade, so as to do away with drastic ups and downs of the stock index that took place from time to time in recent years, ensure relatively stable operation of the stock market, and promote the regularization of the stock market.

There are many other topics about the growth of China's capital market during the Ninth Five-Year Plan (for example, investment fund, housing finance, and medium- and long-term financing), which this author is not going to discuss here. From the above discussion, however, it can be seen that there is a great deal of work to be done and many difficulties to be overcome in order to promote the growth of China's capital market during the Ninth Five-Year Plan. And this requires a concerted effort by all sectors.

*PRC: Residents Savings Deposits Reach Record High

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[Article by Li Yung-Ch'iao [2621 3057 5062] "Background to 3 Trillion Yuan Savings Deposits"]

[FBIS Translated Text]

PRC Residents Already Have 3 Trillion Yuan in Savings Deposits

Data released by the State Statistical Bureau indicate that by the end of 1995, savings deposits of China's urban and rural residents already totalled 2.9662 trillion yuan (i.e. Renminbi), an increase of 812.6 billion yuan or 37.7 percent over 1994.

By the end of March 1996, according to statistics of the People's Bank of China, the total amount of savings deposits exceeded the 3 trillion yuan mark and continued to increase rapidly.

Bank Deposits in Over 40 Years Increased More Than 3,000-fold

At the end of 1952, savings deposits of all residents on the China mainland totalled only 860 million yuan and not until 1978 at the beginning of reform did that figure rise to 21.06 billion. The 100 billion yuan barrier was not broken until 1984. By 1988 when "panic buying" swept the whole country, savings deposits totalled approximately 500 billion yuan. It was not until the end of June 1992 that savings deposits of PRC residents surpassed the 1 trillion yuan barrier, totalling 1.0441 trillion yuan. From then on, savings deposits continued to increase by large margins; by the end of 1994, the figure exceeded 2 trillion yuan, totalling 2.1519 trillion yuan. At this point in time, 3 trillion yuan represented

an increase of 3,288-fold since the end of 1952, or 143-fold since the end of 1978! Quantitative increases of such magnitudes are truly astounding.

Yearly Savings Deposits Exceeding 1 Trillion Yuan!

As relevant materials indicate, prior to reform and opening up on the China mainland, savings deposits of urban and rural residents represented, in a vast majority of cases, money left over from daily living expenses. Because people's income at the time came from a limited number of sources and the income level was very low, therefore the numerical growth in savings deposits was slow.

Statistical calculations indicate that from 1953 to the end of 1978, the rate of increase in savings deposits of urban and rural residents averaged only 13.1 percent annually. Since 1979, because of reform and opening up, a variety of economic factors came into play and increased the income sources of PRC residents; consequently, people's income generally rose by large margins; and with high-income individuals and households from among owners of private business, individual enterprises and contractors for commercial enterprises coming on the scene, savings deposits rose rapidly. According to the statistics, in 17 years from 1979 to date, the average annual rate of increase of savings deposits of PRC residents reached 36 percent. For this reason, while it took all of 40 years (1953 to 1992) before the total of savings deposits of PRC residents reached the first 1 trillion yuan mark, it required a mere one and a half year (end of June 1992 to end of 1994) to reach the second 1 trillion yuan mark, and only one short year (all of 1995) to reach the third trillion yuan. The rapid increase and the quantitative magnitude can truly be considered a rare phenomenon in the world, and many economic experts, financiers and government economic officials at home and abroad are dumb-founded and at a loss in giving any explanations!

According to statistics from relevant sources, a vast majority of savings accounts PRC residents maintain in a variety of banks were time-deposit accounts. For example in 1995, the ratio of time-deposits to all savings deposits of urban residents was 78 percent, and the ratio of time-deposits of rural residents was 79 percent, i.e. nearly 80 percent of all deposits. Of the time-deposits, large numbers of accounts were for fixed terms of one, three, five and even eight years, and very few withdrawals were ever made prior to maturity. It goes without saying that the large proportion of savings, the large amounts and the long-term nature of savings combine to provide a reliable and guaranteed source of ample capital for economic construction.

Residents' Savings As Major Source of Credit for Enterprises

Savings deposits of PRC residents have also become a major source of credit for China's enterprises. Today, PRC residents' savings deposits already account for more than half of the banks' capital, going as high as 64.54 percent; savings deposits already represent 66.46 percent of all bank loans. That is, for every 100 yuan loaned by the bank, 66.46 yuan come from savings deposits of residents. It should also be pointed out that because PRC residents saved an additional 812.6 billion yuan in 1995 that banks was able to make 797.1 billion more in loans in 1995 over the year before.

***PRC: Industrial, Commercial Tax Revenue Increased Significantly in 1995**

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in Chinese 31 Jan 96 p 1

[Article by Zheng Wenmin (6774 2429 2404)]

[FBIS Translated Text] As China's national economy is developing steadily and tax sources keep expanding, and with the great efforts of tax organs at all levels across the country and of large numbers of tax cadres, gratifying results were scored in the collection of tax revenues. According to statistics by SHUISHOU KUAIBAO [TAX EXPRESS], in 1995, a total of 537.758 billion yuan in industrial and commercial tax revenue were received, 48.1 percent over the previous year or an increase of 82.4 billion yuan. The fiscal taxation plan was achieved by 105.2 percent, representing an income of over 26 billion yuan more than predicted. Of the total tax revenue, 411.189 billion yuan were received by state tax bureaus and organs and 126.569 billion yuan were received by local tax bureaus and organs. A total of 302.358 billion yuan in tax revenue were received at the central-government level, up 12.8 percent from the previous year or an increase of 34.4 billion yuan, achieving the fiscal plan by 101.9 percent. A total of 235.4 billion in tax revenue were received at the local-government level, up 25.6 percent from the previous year or an increase of 48 billion yuan, achieving the fiscal plan by 109.9 percent.

Excise duty and value-added tax incomes increased steadily, overfulfilling the fiscal plan by 2.8 billion yuan. In 1995, a total of 319.353 billion yuan in excise duty and value-added tax incomes were received, up 12.4 percent from the previous year or an increase of 35.3 billion yuan, achieving the fiscal plan by 100.9 percent or overfulfilling the fiscal plan by 2.85 billion yuan. Of the two incomes, a total of 55.322 billion yuan in excise duty were received, up 10.1 percent over the previous year or representing an income of 2.32 billion yuan

more than predicted; a total of 264.031 billion yuan in domestic value-added tax were received, up 12.9 percent over the previous year or representing an income of 530 million more than predicted for the year. Judging from the composition of tax sources, a total of 254.376 billion yuan in industrial value-added tax and excise duty were received; up 11.5 percent over the previous year. Of this revenue, tax incomes from major taxable items such as crude oil, coal, electricity, refined oil, and nonferrous metals increased by a comparatively big margin of 42.5 percent, 28.3 percent, 26 percent, 24.5 percent, and 20.3 percent respectively. A total of 64.977 billion yuan in commercial value-added tax were received, up by 16.3 percent from the previous year.

Great breakthroughs were made in the imposition and management of personal income tax. In 1995, a total of 13.139 billion yuan in personal income tax was collected, up 80.8 percent from the previous year or an increase of 5.872 billion yuan. It was over 30 percent more than that predicted for the year. The proportion of personal income tax income in the entire industrial and commercial tax revenue rose from 1.6 percent in the previous year to 2.4 percent. The personal income tax income in the 12 regions of Anhui, Shandong, Shanxi, Hunan, Henan, Heilongjiang, Hubei, Fujian, Liaoning, Shenyang, Xiamen, and Qingdao increased by over 100 percent. The speedy increase in personal income tax income is indicative of the great breakthroughs China has made in the imposition and management of personal income tax.

Local taxes such as sales taxes and income taxes paid by collective and private enterprises and by foreign-invested enterprises and foreign corporations increased rapidly. Taxation plans were overfulfilled in most places. In 1995, a total of 86.9 billion yuan in sales tax income were received throughout the country, up 27.8 percent from the previous year, fulfilling the fiscal plan by 110.4 percent. Sales taxes collected from service industries and banking and insurance industries increased 32.1 percent and 25.8 percent over the previous year. In the entire year, a total of 17.328 billion yuan in income tax were paid by collective and private enterprises, up 36.9 percent from the previous year. Income tax income from foreign-invested enterprises and foreign corporations keeps growing rapidly as China continues to be open to the outside world. In the entire year, it totaled 7.559 billion yuan, up 57.1 percent from the previous year. Income from other local taxes such as the regulatory tax on investment orientation for fixed asset investments and city maintenance and construction tax also increased considerably and overfulfilled the fiscal plan.

Industrial and commercial tax revenue in all localities increased over the previous year. In 1995, the industrial and commercial tax income in the 40 regions that had been placed under a planned review all increased compared to the previous year. Thirteen of these regions increased by more than 20 percent, namely that Anhui increased by 27.5 percent, Xinjiang by 27 percent, Guangdong by 25.6 percent, Beijing by 24.9 percent, Shanxi by 24.7 percent, Zhejiang 24.1 percent, Tianjin by 23.4 percent, Heilongjiang by 22 percent, Fujian by 21.3 percent, Tibet by 34.4 percent, Shenzhen by 31.6 percent, Ningbo by 26.9 percent, and Qingdao by 23.1 percent. There are regions where excise duty and value-added tax incomes considerably increased comparatively: Heilongjiang by 28.1 percent, Shanxi by 26.4 percent, Xinjiang by 24.5 percent, Tianjin by 20.8 percent, Tibet by 59.9 percent, and Shenzhen by 35 percent. Compared with the fiscal plan for excise duty and value-added tax incomes, the majority of localities overfulfilled their taxation tasks. Heilongjiang, Guangdong, Shanxi, Anhui, Shandong, Tianjin and Shenzhen received over 500 million yuan in excise duty and value-added tax incomes more than predicted. However, nine regions received less than predicted, namely Liaoning, Yunnan, Sichuan, Hebei, Inner Mongolia, Jiangxi, Guangxi, Guizhou, and Hainan.

In 1995, tax organs at all levels across the country took further steps to strengthen the examination and management of tax refunds for export products. They took strong action against tax refund deceptions and promptly processed enterprises' export tax refunds in keeping with the tax refund guidelines drawn up by the state, and thus promoting the development of foreign trade. In 1995, tax organs at all levels across the country processed a total of 54.991 billion yuan in export tax refunds, up 22.1 percent from the previous year.

In 1995, tax organs at all levels across the country collected 57.1 billion yuan in income tax from state-owned enterprises and joint-stock enterprises, 1.5 billion yuan in funds for major state energy and communications projects, 3.3 billion yuan in state budgetary regulatory funds, and 8.3 billion yuan in extra levies of education funds. In 1995, all financial revenue (excluding export tax refunds) as organized by tax organs exceeded 600 billion yuan and reached 608 billion yuan, which was 16.1 percent over the previous year.

The reason China had such good results in industrial and commercial tax revenue last year is that China's various macroscopic regulatory measures were remarkably effective, the national economy developed steadily, the overall economic capacity further expanded, and tax sources continued to increase. All this laid a groundwork for the growth of tax revenue. Moreover, tax or-

gans at all levels across the country adopted effective measures, conscientiously strengthened the management of value-added tax receipts, vigorously promoted tax reform, conducted thorough examinations of tax law enforcement and other tax examinations, and did a great deal to clear enterprises' debt. In this way, they ensured the steady growth of tax revenue. In the entire year, they collected 12.7 billion yuan that would otherwise have been evaded, a 1.2-fold increase over the previous year. They imposed a total of 2.842 billion yuan in fines for delays and other penalties, an increase of nearly 100 percent over the previous year. In addition, the policy factor added some income. The residual effect of the price increases of crude oil, coal, electricity, and the like in the first half of 1994, and the cancellation of the tax-sharing system for rural fairs since 1995 added some revenue.

PRC: Bank Governor on Reform, Development of State Enterprises

HK1607044196 *Beijing RENMIN RIBAO* in Chinese
8 Jul 96 p 2

[Speech by People's Bank of China Governor Dai Xianglong (2071 4161 7893) at "discussion on studying General Secretary Jiang Zemin's speech attended by leading cadres of state ministries and commissions" entitled "Actively Support Reform and Development of State Enterprises"—date not given]

[PTS Translated Text for FBIS] The basis for establishing a socialist market economy structure is modern enterprises and corporations that exercise self-restraint and develop their capabilities by themselves. The key to setting up a new banking system suited to the socialist market economy structure lies in establishing standardized commercial banks. Given that most loans from state-owned commercial banks are extended to state enterprises, the reform of state enterprises will have a direct bearing on the rise and fall of state commercial banks. Banking has become the main way to raise funds for production and construction and an important lever for macroeconomic regulation and control. A broad cross-section of cadres and employees under the banking system must conscientiously study General Secretary Jiang Zemin's speech on state enterprise reform, launch in-depth activities to "stress reform, politics, law and discipline, and benefits and to improve banking services," and adopt various practical measures to promote the reform and development of state enterprises.

1. Increasing capital, reducing debts, and helping state enterprises transform into corporate entities and join the main body of market competition: During the Eighth Five-Year Plan, the average annual growth rate of GNP

ECONOMIC AFFAIRS

stood at 12 percent, the average annual inflation rate was 11.4 percent, and the average annual growth of deposit in financial institutions was 33 percent, significantly above the rates of economic growth and inflation. Nonetheless, enterprises are still in financial difficulty primarily because of a severe shortage of capital and excessively large amount of debts. Increasing capital and reducing debts depend primarily on enterprises' accumulation of funds and improvement in management, but they also need support in various respects. Instead of changing "allocation of funds into loans," they can change a portion of "loans into investment" and financial credit into budgetary allocations. In addition, it is essential to expand share-issuing enterprises in a gradual manner and to guide village and township residents to invest in state enterprises. Under the "Commercial Bank Law," no loans from commercial banks to enterprises can be changed into investments.

2. Supporting quality projects, limiting substandard ones, preventing construction of redundant projects, strictly forbidding operation without capital, and increasing returns on the use of new loans: State commercial banks should concentrate capital on supporting enterprises that need a reasonable amount of circulating funds, provided that they are profitable, unlikely to misuse funds, and reliable. Loans for large and medium-sized enterprises will be handled directly by the head offices and branches of state commercial banks. If a huge sum of money is needed, they can arrange syndicated loans. It is necessary to improve settlement services, actively promote commercial bills among large and medium-sized enterprises that have close production-supply-marketing relations, and increase the discount and rediscount of commercial bills. A lead bank system should be established, and a close relationship between banks and enterprises should be maintained.

3. Jointly blazing new trails and supporting the strategic reorganization of state assets: We should help enterprises break down trade and regional barriers and restructure their organizations, products, and technology in line with market demand at home and abroad. Enterprise groups, with large enterprises as the core, should be formed to develop regional economic cooperation and establish an "aircraft carrier" for the socialist market economy. It is essential to improve banking services, give Shanghai's Pudong a dragon-head role to play, and promote the joint development of the Changjiang Delta and the Changjiang economic zones. Other economic zones should also be actively supported. Banks should appropriately develop the capital market, support large enterprise groups in capably running financial companies, raise funds from members of enterprise groups, and improve their capability to recapitalize technology.

4. Using the method of merger and bankruptcy, resolving enterprises' financial problems in earnest, and properly handling bad assets: Financial departments and banks should appropriately concentrate funds to pay by installment redundant personnel from the coal, textile, forestry, and military industries. If profit-making enterprises merge with heavy losers, the latter may be exempted from interest on old loans and may defer the repayment of interest on new loans while repaying the principal by installment. Banks may support insolvent enterprises in applying for bankruptcy and may write off their uncollectible accounts in accordance with the law. To prevent a drain on state banks' assets, the banks have to ensure that enterprises repay their debts even if they are divided, leased, form joint ventures, or change business. Enterprises dodging creditors by declaring bankruptcy should be promptly exposed and stopped.

PRC: Time Not Ripe for Resolving Issue of Chiang's Remains

OW1707092096 Beijing ZHONGGUO XINWEN SHE in Chinese 1243 GMT 16 Jul 96

[FBIS Translated Text] Beijing, 16 Jul (ZXS) — A few days ago, Mr. Jiang Weiguo [Chiang Wei-kuo] suggested in Taiwan that the remains of his father and elder brother be shipped back to the mainland for burial. Today, a reporter of this agency specially asked an official of the Information Bureau of the State Council's Taiwan Affairs Office the question of whether or not the mainland had consented to the suggestion, but according to the official, this is a sensitive issue and the time for resolving it has not come yet.

PRC: Seminar on Cross-Strait Relations Opens in Beijing

OW1607123496 Beijing XINHUA in English 1228 GMT 16 Jul 96

[FBIS Transcribed Text] Beijing, July 16 (XINHUA) — More than 100 experts and scholars from China's inland areas, Taiwan, Hong Kong and Macao, as well as from the US, and Japan attended a three-day seminar on relations between the two sides of the Taiwan Straits that opened today in Beijing.

Participants will discuss how to reduce the state of hostility and increase mutual trust between the two sides and promote cultural and economic co-operation.

In the opening speech, Cheng Siyuan, vice-chairman of the Standing Committee of the National People's Congress, said that the Taiwan question is China's internal affair left over from China's civil war, which should be solved by the Chinese people themselves.

In the past decade, there have been historical changes in cross-strait relations, he said, and that President Jiang Zemin's speech on reunifying the motherland on January 30, 1995 has gotten the approval of those who favor China's reunification.

He pointed out that the experience of the past decade has shown that the smooth development of relations across the straits is in the vital interest of the people on both sides and is their common aspiration.

After Hong Kong and Macao return to the motherland, the development of cross-straits relations and the realization of an early reunification will be more prominent, he pointed out.

Cai Zimin, chairman of the Central Committee of the Taiwan Democratic Self-Government League, Zhang Kehui, chairman of the All-China Federation of Taiwan

Compatriots, and other departmental officials attended the opening ceremony.

PRC: Over 100 Scholars Attend Fifth Seminar on PRC-Taiwan Ties

HK1707080196 Beijing CHINA DAILY in English 17 Jul 96 p 2

[By Xu Yang: "Taiwan's Ties With Mainland Discussed"]

[PTS Transcribed Text for FBIS] Scholars focusing yesterday on current and future relations across the Taiwan Straits stressed the importance of melting the current political ice in the Straits and building direct trade links between the two sides.

The meeting, in Beijing, attracted more than 100 mainland, Taiwan and overseas Chinese scholars. This is the fifth such seminar since 1991, sponsored by the Taiwan Research Association, the All-China Federation of Taiwan Compatriots and the Taiwan Studies Institute under the Chinese Academy of Social Sciences.

Although scholars' views differed greatly, most seemed to share the belief that Taiwan's future prosperity is tightly linked with that of the mainland.

Most participants also agreed that the two sides should end their historical hostility as the first step.

"The experience of the past decade shows that a healthy relationship heading for peaceful reunification is in the interests — and is the wish — of people on both sides of the Straits," said Cheng Siyuan, chairman of the Taiwan Research Association.

Cheng said that anyone who tries to obstruct the trend of history and split the motherland will be a traitor to the Chinese nation.

Discussing the possibility of a top-level meeting between the two sides, participants agreed that a summit meeting would be conducive to better understanding and the peaceful reunification process but disagreed on the preconditions.

Mainland scholars believe that the most urgent need is to rebuild the tacit understandings that the world has only one China and that Taiwan is part of China.

"If Taiwan leaders refuse to even recognize the principle of one-China, it will be impossible to break the deadlock," said Yu Keli, deputy director of the Taiwan Studies Institute under the Chinese Academy of Social Sciences.

PRC: Taiwanese Man Given Death Sentence for Money Fraud

*OW1607081696 Beijing XINHUA in English
0803 GMT 16 Jul 96*

[FBIS Transcribed Text] Xiamen, July 16 (XINHUA) — A Taiwanese businessman, Gao Fuyun, received the death sentence with two years' probation recently from the Fujian Higher People's Court for acquiring a significant amount of money by using invalid fund certificates.

Gao is the former vice-president of Xiamen United Investment Consulting Company and the major defendant in a fraud case involving a total of 160 million U.S. dollars.

The joint-venture company established the Xiabang Development Fund in July 1992 illegally, and printed or issued fund beneficiary certificates with a total value of 60 million U.S. dollars.

Having gotten the approval of Zhu Wei, president of the consulting company, and Wang Wuquan, a board member, Gao used the bogus certificates as assets and obtained 80 million yuan in mortgages from banks and enterprises in a number of Chinese cities.

Zhu Wei was sentenced to 12 years in prison for speculation, profiteering, and negligence and Wang Wuquan was given a three-year sentence with probation.

Gao had earlier filed an appeal on the court ruling, but it was rejected by the provincial higher people's court.

PRC: Taiwan Minorities Research Association Founded

*HK1207064596 Beijing CHINA DAILY in English
11 Jul 96 p 3*

[By Chen Chunmei: "Taiwan's Minorities Studied"]

[PTS Transcribed Text for FBIS] The founding of the Taiwan Minorities Research Assn was announced yesterday in Beijing.

The association is to give general and "comparatively accurate and scientific" names to the Gaoshan minorities on the Taiwan island. The association tries to avoid

contradicting Taiwanese practices or ignoring other ethnic groups, said Zhang Conggen, the association's vice-director and official of the State Ethnic Affairs Commission (SEAC).

More than 50 experts on Taiwan minorities were drawn to the association's first three-day seminar in Beijing.

The main project during the seminar and in the future is to find a proper name for the key Taiwanese minorities. This involves studying the history and culture of the minorities, Zhang said.

The minorities call themselves "original inhabitants." People in Taiwan call them "mountainous people" and people on the mainland call them "Gaoshan minorities." The name was accepted by Taiwan authorities in 1994.

Minorities make up 2 per cent of the 21.3 million people in Taiwan.

The National People's Congress (NPC), China's top legislature, has long put the Gaoshan minorities in with the country's 56 nationalities.

The association takes into account the fact that Taiwan separatists try to get the support of the minorities.

So changing the name of the present Gaoshan minorities will depend on academic research and the progress in the peaceful reunification of the motherland, said Wu Jinghua, vice-director of the NPC Ethnic Commission.

He suggested adding the word "Chinese" before the association title, which was applauded by experts at the inauguration ceremony and seminar.

Also at the seminar, SEAC Deputy Director Chen Hong said the research should work with the Chinese Communist Party's Taiwan affairs policy to solve major problems. The association can help in efforts to stop the conspiracy by Taiwan separatists to take advantage of ethnic problems.

He also said the Taiwan minorities' research force should be strengthened.

The association is expected to have 250 experts, Zhang said.

Taiwan: Envoy's Remarks Clarify U.S. Role in Cross-Strait Ties

OW1707052396 Taipei CHUNG-KUO SHIH-PAO in Chinese 13 Jul 96 p 2

[FBIS Translated Text] Foreign Ministry spokesman Leng Jo-shui said yesterday: Darryl Johnson, the new director general of the American Institute in Taiwan, recently reiterated that the six promises the United States made toward Taipei in the 17 August communique remain unchanged.

This demonstrates the United States' consistent stand that it will not interfere in cross-strait relations and will help dispel the recent suspicions that the United States may interfere in cross-strait affairs.

Taiwan: Officials Discuss Cancellation of 'Lake-Wang' Meeting

OW1707051396 Taipei LIEN-HO PAO in Chinese 12 Jul 96 p 9

[FBIS Translated Text] U.S. National Security Adviser Anthony Lake canceled a scheduled meeting with Wang Tao-han [Wang Daohan], chairman of Mainland China's Association for Relations Across the Taiwan Strait [ARATS], in Shanghai. Ku Chen-fu, chairman of the Straits Exchange Foundation [SEF], noted yesterday that it would be "very unusual" if there were factors other than weather for the cancellation. He also noted that our country's representative to the United States will find out the truth and that it is too early to comment.

Cheng Chien-jen, vice foreign minister for political affairs, believed that it was canceled after a reconsideration by the Chinese Communists and the United States on the need for such a meeting after Lake discussed all that was to be discussed in his high-level meetings with Chinese Communist President Chiang Tse-min [Jiang Zemin], Premier Li Peng, Foreign Minister Chien Chih-chen [Qian Qichen], and Defense Minister Chih Hsien-tien [Chi Haotian].

Cheng Chien-jen noted that the SEF is a "white glove" that takes its orders from the Chinese Communist authorities. It is, after all, not a policy-making body. Having compared notes with high-level Chinese Communist officials in Beijing, it would be natural for them to reconsider the need for a "Lake-Wang" meeting. He believed that the last-minute cancellation had nothing to do with the weather.

Cheng Chien-jen also said that, according to precedent, the United States would brief us before any major visit to the mainland. He believed that the United States would let us know, through proper channels, the specifics about the Lake visit when he is back home.

Cheng Chien-jen stressed that the United States is keenly aware of our position: The current status of China cannot be interpreted by any traditional international concept or theory. "One China" does not equal the PRC, Taiwan is not a province of the PRC, and the Chinese Communists never exercised jurisdiction in Taiwan. Cheng Chien-jen believed that on the cross-strait issue, the United States has consistently stood for a peaceful solution and will not get involved. This position of the United States is quite obvious.

As for an exchange of visits by leaders across the strait, Ku Chen-fu said: Both sides have such wishes and the mainland side has also provided some basis for such a exchange of visits. However, there should be procedures, careful planning, and thorough preparations for an exchange of visits by leaders. It is hoped that the two sides would hold (Ku-Wang) talks that will lead to a meeting or exchange of visits by leaders.

Commenting on the mainland's position on resuming talks, Ku Chen-fu said: In regard to a resumption of talks, all the mainland has come up with are principles, conditions, and preconditions and its position on procedures has become increasingly rigid. Most of all, they insist that we accept their "one-China" position. As a matter of fact, the mainland "one-China" principle is based on ideology, while our "one-China" principle is based on political reality. The gaps between the two sides will have to be narrowed over time.

Foreign Ministry spokesman Leng Jo-shui noted that in his report on the state of the nation, President Li Teng-hui again suggested that the two sides hold high-level political talks on an equal footing and called on the Chinese communist to respond positively to his proposal.

Taiwan: Aerospace Industry To Cooperate With Foreign Plane Makers

OW1407130096 Hong Kong AFP in English 1205 GMT 14 Jul 96

[FBIS Transcribed Text] Taipei, July 14 (AFP) — Taiwan's cabinet has approved a blueprint to develop its fledgling aerospace industry in the next ten years through fighter purchases and technology transfers from abroad, officials said Sunday.

They said Taiwan's aerospace industry is expected to grow six-fold in value over the next decade, estimating it will be worth around 160 billion Taiwan dollars (5.7 billion U.S.) in 2006.

Under the blueprint, prepared by the Industrial Development Bureau, authorities here will be able to obtain new technology through industrial cooperation agreements

TAIWAN

with international plane makers, including France's Dassault and the U.S.'s Lockheed-Martin, they said.

Taiwan last week signed an agreement with Dassault for technology transfers and other industrial cooperation projects in return for purchasing 60 Mirage 2000-5 jet fighters.

It has also signed an industrial cooperation agreement with Lockheed-Martin in return for purchases of 150 F-16 fighters and eight C-130 military transport planes. Similar accords have been signed with U.S.-based manufacturers Boeing Corp., McDonnell Douglas Corp., and engine maker Pratt and Whitney.

Bureau director-general Yin Chi-ming said Taiwan has decided to cooperate with McDonnell Douglas in developing the MD-95 regional jet. The military Aero Industry Development Center will contribute seven million U.S. dollars to cover five percent of the project.

For small commercial aircraft, Taiwan has teamed up with U.S.-based Sikorsky Aircraft to develop the S-92 helicopter, Yin said.

Taiwan's national carrier, China Airlines, and Pratt and Whitney have agreed to set up an Asia-Pacific maintenance center in central Taiwan's Changhua to maintain and repair the Pratt and Whitney engines, he added.

Yin said since Taiwan began promoting its aerospace industry in 1990, the number of aerospace companies has grown from seven to 180, with investment capital totalling 25 billion Taiwan dollars.

Taiwan: Negotiator Says Telecom Talks With U.S. Proceed 'Smoothly'

*OW1607143196 Taipei Broadcasting Corporation of China News Network in Mandarin
2300 GMT 15 Jul 96*

[From the "Hookup" program]

[FBIS Translated Text] The first day of Sino [the Republic of China]-U.S. telecommunications talks opened at the Ministry of Economic Affairs [MOEA] on 15 July. The United States affirmed our timetable for liberalization, but requested that we abolish the 11.5-percent investment/return ratio and adopt a ceiling to be determined by market prices. It also promised not to use Special 301 measure to pressure Taiwan into liberalizing its telecommunications market. Please listen to Shen Lu-ping's report:

[Begin recording] [Shen] China Telecom's official founding on 1 July provides our country's telecommunications market worth (?100 billion New Taiwan dollars) with room for development. However, our

country's gradual approach toward liberalizing its telecommunications market has caused concern in the United States. For this reason, beginning on the afternoon of 15 July, the United States held three-and-a-half-day telecommunications talks with our country in the hope that our country would quicken the pace of liberalizing its telecommunications market.

Our chief negotiator, Tseng Lien-feng, deputy director general of the MOEA Bureau of Foreign Trade, said: The talks on the first day proceeded smoothly. The United States forwarded four principles: 1) The current talks are not related to the Special 301 measure. 2) It is hoped that relevant information will be furnished to protect consumers. 3) It is hoped that our country's investment environment will be improved. And, 4) It is hoped that the current talks will not delay our country's pace of liberalizing the telecommunications market. In particular, the United States expressed concern over our country's 11.5-percent investment/return ratio for private telecommunications operators and exorbitant fees that mobile telephone companies pay for connections with telecommunications facilities. Our country's position is that the United States should understand our gradual approach toward liberalizing the telecommunications market. Tseng Lien-feng said:

[Tseng] The liberalization of our telecommunications market is an epochal event in 141 years. We will liberalize gradually, not at one fell stroke. Many developed countries still have not completely liberalized their markets. We hope the United States will understand this.

[Shen] Tseng Lien-feng also pointed out: We were very glad to hear the United States say that the current talks are not related to Special 301. In liberalizing its telecommunications market, our country proceeds in a manner that protects consumers and adjusts fees on the basis of cost estimates. It will definitely observe the relevant World Trade Organization rules. Moreover, our country welcomes suggestions from the United States, which it will consider carefully.

Broadcasting Corporation of China reporter Shen Lu-ping reporting from the Board of Foreign Trade. [end recording]

Taiwan: Diplomatic Allies Continue Support of Taipei's UN Bid

OW1607104096 (Internet) Taiwan Central News Agency WWW in English 0848 GMT 16 Jul 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 16 (CNA) — The Republic of China's [ROC] diplomatic allies will

17 July 1996

TAIWAN

87

continue to support its bid to rejoin the United Nations this year, Foreign Ministry officials said Tuesday.

The officials, however, would not reveal when the allies will present the proposal to the UN Secretariat this year. They just said most of the ROC's diplomatic allies have agreed to present the proposal before this year's UN General Assembly meeting opens on Sept. 17.

Each year since 1993, the handful of countries with diplomatic ties with Taiwan, mostly in Central America and Africa, asked the UN to set up a special committee to study the issue of Taiwan's representation in the world body which Taiwan left in 1971.

Local press reports said the ROC's diplomatic allies will present a similar proposal to UN Secretary General Butrus Butrus-Ghali on Wednesday.

Foreign Ministry officials would not confirm the reports because they feared premature exposure would invite Beijing's boycott.

Of the 31 countries that maintain diplomatic ties with the ROC, only 27 are UN members. The officials said many of them have promised either to sign the joint letter to Butrus-Ghali or to speak for the ROC's UN bid during the Steering Committee meeting or General Assembly debate sessions.

The officials said Senegal which resumed diplomatic relations with the ROC early this year has also agreed to speak for Taiwan's UN bid.

Meanwhile, the officials said, the issue will be further discussed during the annual meeting between the ROC foreign minister and his counterparts from seven Central American countries scheduled for July 25-26 in Taipei.

Taiwan's push to take part in the UN has become a key flashpoint in often-antagonistic relations across the Taiwan Strait. Beijing has demanded Taipei drop its UN bid to prove its support for the "one China" principle which is Beijing's precondition for resuming stalled cross-strait dialogue.

Although Taiwan has quietly toned down its UN bid, it would not completely abandon its effort in this regard. Foreign Minister John Chang told a news conference on June 25 that UN representation is a long-term national goal, not a priority diplomatic task at the moment. "However, it is unlikely that the ROC, as a sovereign state, would totally stop its UN effort," Chang stressed.

Diplomatic sources said the ROC Government has handled its UN bid in a pragmatic manner. It has not applied to go back to the UN as a new state. It has only asked the UN to study the issue of the representation of its 21.3 million people in that body.

Although the proposal had consistently been batted down by Mainland China and its diplomatic allies in the UN Steering Committee discussion during the past three years, the ROC's UN effort has drawn extensive media coverage.

After three years of trying, Foreign Ministry officials said, many people around the world now know there is a country of 21.3 million people without representation in the UN.

The officials said they are convinced that this year's UN effort will continue to receive warm response in the international community.

Taiwan: Official Urges Mainland To Resume Cross-Strait Talks

OW1407140296 Taipei Voice of Free China in English 0200 GMT 11 Jul 96

[FBIS Transcribed Text] Mainland Affairs Council Vice Chairman Kao Kung-lien yesterday called on Beijing to make concrete contributions toward unification by resuming cross-strait talks and strengthening bilateral relations. Kao called on Beijing to take practical steps to improve bilateral ties based on Chinese President Jiang Zemin's eight-point statement and President Li Teng-hui's six-point proposal. Only continued exchanges and negotiations will help lead to eventual unification, he said. Under the current circumstances, the top priority for the two sides is to reopen regular talks, which, Kao said, will help pave the way for exchange of ranking officials and a summit meeting of leaders of the two sides.

Taiwan and mainland China already reached an agreement in 1992 that each side can have its own definition of one China, and President Li offered to pay a journey of peace to China in his May 20 inaugural speech. Kao said that one-China controversy actually does not exist. Kao was responding to a commentary published Monday by the XINHUA News Agency which repeated Beijing's call for substantial action from Taiwan to Jiang's proposal under the one-China principle. It urged Taiwan to start political dialogue on ending hostility and setting up three direct links as soon as possible with China. In response to the article, Kao called on Chinese officials to face the reality that mainland China [as heard] is divided, and that the two sides of the Taiwan Strait are ruled by two separate governments. Kao said Taiwan's basic stand toward developing cross-strait ties is Chinese help Chinese, which was already clearly indicated in President Li's six-point proposal, released in April 1995. Out of consideration of reciprocity and objectivity, the ROC [Republic of China] government again suggested in September that the two sides further

strengthen communications based on Li's six-point proposal and Jiang's eight-point talks. If Beijing can recognize Taiwan's status as a sovereign state, and plays by the rule that each side can have its own interpretation of one China, there will be no disputes between the two sides, paving the way for the reopening of bilateral negotiations to achieve the goal of unification.

Taiwan: PRC Study Report Says Cross-Straight Impasse Will Continue

*OW1207140596 Taipei LIEN-HO PAO in Chinese
2 Jul 96 p 9*

[FBIS Translated Text] According to a report completed recently by the Chinese Communists' Taiwan affairs organizations, the current "no war, no reconciliation," "no reunification, no independence" political stalemate across the strait will continue for the five years after Taiwan's popular presidential election. The major variable in breaking the current impasse will come from mainland China, rather than from Taiwan or the international community.

A think tank under the Chinese Communists' Taiwan affairs organizations recently completed a 20,000-character report after conducting a study on the development of cross-strait political relations in the next five years. The report, which will be submitted to relevant departments for reference, pointed out that Taiwan's democratization did increase difficulties in achieving cross-strait reunification. It will be very difficult to materialize the Chinese Communists' Taiwan policy, based on the principles of peaceful reunification and "one country, two systems," in the next five years.

It has been learned that since the report will be submitted to higher-ups at various levels through the bureaucratic organizations, researchers, who carried out this study, did not elaborate on sensitive issues to avoid trouble. For instance, the report said cross-strait political relations in the next five years will mainly depend on the mainland. On the surface, this can be interpreted as the Chinese Communists' gaining mastery over future cross-strait relations. However, the researchers, indeed, held that if violent internal struggle occurs at a high level or a social crisis erupts in the future, the Chinese Communists are likely to adopt a tough policy toward Taiwan to shift domestic attention. When the time comes, the cross-strait deadlock will not continue.

The report said: In the next five years, no conditions for bringing about the independence of Taiwan will exist in both Taiwan and the international community. In addition, the United States is unlikely to adopt a policy to recognize Taiwan in the short run. Restricted by the international power structure, there will be no incentive

for Taiwan to declare independence. As a result, there will be no point for the Chinese Communists to use Taiwan's independence as an excuse to maintain a military solution to the Taiwan issue. However, given a situation in which the United States continues interfering in the reunification of "China," cross-strait tension will not be thoroughly eased.

The report pointed out: According to surveys conducted by the researchers in various localities, cadres and the masses on the mainland are strongly opposed to Taiwan independence; however, they also have a strong objection to achieving cross-strait reunification by force. Since Taiwan's independence will not be realized in the next five years and since the Chinese Communists are unlikely to change their policy of peaceful reunification, the current cross-strait political stalemate will continue.

Taiwan: Defense Official Discusses South China Sea Exercise

*OW1707061996 Taipei LIEN-HO PAO in Chinese
12 Jul 96 p 4*

[FBIS Translated Text] A Defense Ministry official pointed out that intelligence sources have reported that the Chinese Communists conducted a routine air-naval exercise in late June in the South China Sea. It is determined that the imagined target of the exercise are countries around the South China Sea. As the exercise zone is far away from Taiwan, the military believes that it did not pose a threat to Taiwan and it did not have any special political significance. Rumor had it that the exercise was for "launching an attack on Taiwan" and it therefore affected the day's foreign exchange rates. The official pointed out that this was not true and the public had no need to worry.

The official pointed out that all armed forces, including those on either side of the strait, need to hold regular military exercises for training or reviewing purposes. Our military constantly monitors Chinese Communist troop movements across the strait and will certainly step up vigilance when there is any clear and present threat.

Moreover, a Defense Ministry general noted that the Chinese Communists conducted three rounds of military exercises in March as it tried to threaten Taiwan with force. Afterward, the "China Central Television" [CCTV] aired a documentary on the exercises. In the documentary, clips of Dongfeng series M-9 short-range missiles that are launched during the first round of exercises could be considered "live footage." Most of the footage in the document that purported to show the second round of air-naval exercises and the third round of joint exercises by land, naval, and air forces was actually "edited" footage from past exercises. Citing the

17 July 1996

S-300V air defense missiles the Chinese Communists bought from Russia as an example, the officer noted that during the exercise the missiles were definitely deployed in two locations in Fukien's [Fujian] coastal region. However, the missiles were never launched during the entire course of exercise. Therefore, the clip shown on CCTV must be file footage. Another puzzling point is that weather conditions were poor during the third round of exercises; however, what we see in the documentary are mostly sunny days.

Taiwan: Government Considering Allowing Resident PRC Journalists

OW1607161196 (Internet) Taiwan Central News Agency WWW in English 1537 GMT 16 Jul 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 16 (CNA) — The ROC [Republic of China] government has been considering allowing mainland Chinese news organizations to station a limited number of journalists in Taiwan, the Mainland Affairs Council (MAC) said Tuesday.

The Cabinet-level council, which charts Taiwan's policy toward the mainland, said the government has not ruled out the possibility of unilaterally opening doors to resident mainland newsmen even before the stalled cross-strait talks are resumed.

The council said it may impose some restrictions on the number of mainland media professionals to be stationed here, the duration of their stay and the places mainland journalists will be allowed to cover.

"The measures are aimed at promoting journalistic exchanges between the two sides and thus boosting mutual understanding," a MAC official said.

However, the official denied local press reports that the new "open door" measures will be implemented before year's end. "The plan is still on the drawing board," the official stressed.

Taiwan: Mainland Trade Delegation Visits Kaohsiung Harbor

OW1607161996 (Internet) Taiwan Central News Agency WWW in English 1537 GMT 16 Jul 96

[By Vicky Yeh]

[FBIS Transcribed Text] Taipei, July 16 (CNA) — A Mainland China trade delegation headed by Chen Zidong, director of the Taiwan Affairs Office of the Fujian provincial government, paid a visit to Kaohsiung Harbor Tuesday on the second day of a trade promotion tour.

Chen, who is visiting here in his capacity as President of the Fujian-Taiwan Exchange Association, said that he was here to discuss possible trade deals and would like to strengthen relations with Kaohsiung Harbor.

Kaohsiung Harbor is one of the sea ports that have been chosen to handle direct transshipment services between Taiwan and the mainland.

In briefing the visitors, Yu Fang-lai, Director of Kaohsiung Harbor Bureau, said that Kaohsiung Harbor has become the third largest harbor in the world in terms of volume of container cargo processed by handling nearly 5 million TEUs (Twenty-foot Equivalent Units) last year.

Chen, the first ranking mainland official to visit Taiwan since the ROC government relaxed the restrictions on visits by mainland trade administrators in April, is scheduled to leave Taiwan on July 18.

Taiwan: HK Paper Says Beijing Revising Taiwan Policy

HK1607075596 Hong Kong HSIN PAO (HONG KONG ECONOMIC JOURNAL) in Chinese 5 Jul 96 p 9

["Beijing Political Situation" column by Jen Hui-wen (0117 1979 2429) from Beijing on 3 July: "CPC Pins Hope on Economic, Trade Relations for Breakthrough in Taiwan-Related Work"]

[PTS Translated Text for FBIS] A Beijing source has disclosed that following the CPC's revisions to its Taiwan policy at the Taiwan Affairs Conference held in late April, Li Peng, member of Standing Committee of the CPC Central Committee Political Bureau and premier of the State Council, Zhu Rongji, member of the Standing Committee of the CPC Central Committee Political Bureau and vice premier, Li Lanqing, member of the CPC Central Committee Political Bureau and vice premier, and other important political figures vowed to strengthen cross-strait trade and to protect the rights and interests of Taiwan investors on the mainland. People cannot but ask why the Chinese authorities have to make constant revisions to their Taiwan policy if they maintain that the essence of Li Teng-hui's mainland policy remains unchanged following his inauguration on 20 May.

Why CPC Has Made Constant Revisions To Its Taiwan Policy

The source said: The Chinese authorities have made constant revisions to their Taiwan policy because of the principle of "pinning hopes on the people of

Taiwan." In his 20 May inauguration address, Li Teng-hui had for the first time offered to visit the mainland and to meet and directly exchange views with China's highest leaders. He did not call on Beijing to pledge to renounce the use of force. Nor did he insist on the prerequisite of "holding a meeting on an international occasion." But his visit to the mainland is predicated on "the country's demand and the people's support." He made no mention of cross-strait trade and economic cooperation and avoided the question of the "three exchanges," to which the people of the two sides are looking forward. Hence, Taiwan people and investors cannot but call into doubt his sincerity in improving cross-strait relations. As is known to all, since the beginning of this year, because of Taiwan's unstable stock market, constant outflow of capital, and its trade deficit with the United States and with Japan, investors have all hung back in fear. In addition, while in Taiwan there has been political chaos, confusion between right and wrong, and rising calls from people on the island for reunification and against "independence," the constant deepening of China's reform and opening up as well as its huge market and comparatively low production costs have become increasingly attractive to Taiwan investors. Taiwan's economy has to a certain extent used the mainland as a means to maintain its rate of development. In light of this, the CPC stresses the need to do a good job in public relations toward Taiwan people, actively promote cross-strait trade and economic cooperation and cultural exchanges, and strive to bring about the "three exchanges" as soon as possible, the purpose of which is self-evident.

A Beijing expert on the Taiwan issue pointed out that strengthening cross-strait trade and economic cooperation and promoting the "three exchanges" are an important aspect of carrying out China's policy of "pinning hopes on Taiwan people."

Using Trade and Economic Interaction To Promote Political Interaction

The source added that for some time to come, China will focus on cross-strait trade and economic cooperation to push for cross-strait relations in an effort to promote political interaction through trade and economic interaction. The CPC's Taiwan Affairs Conference held in April stressed the promotion of cross-strait trade and economic cooperation in the hope that Taiwan investors who support reunification will expand their political influence on the island. To this end, the CPC specially instructed the department concerned to conscientiously implement the "Law on the Protection of Taiwan Compatriots' Investment" and to protect the interests of Taiwan investors.

In response to questions asked by reporters from the London FINANCIAL TIMES on 7 June, Li Peng said: Realizing the "three exchanges" between the two sides of the strait has been the CPC's consistent proposal. The CPC has always maintained that the two sides should achieve the "three exchanges," including direct flights across the strait, as soon as possible and that they should develop cross-strait trade and economic cooperation in an effort to meet the pressing needs and wishes of the people of the two sides. All this indicates that the CPC has attached more importance to the wishes of Taiwan people.

The Beijing expert on the Taiwan issue noted: Achieving the "three exchanges" is the common pressing desire of the people from both sides. Calls from Taiwan people, particularly the industrial and commercial sectors, for the "three exchanges" are mounting. The Taiwan authorities have, however, deliberately avoided and stalled on this question and have erected obstacles to the "three exchanges." This move, which goes against the will of the people, reflects the Taiwan authorities' lack of sincerity in the "three exchanges" and "reunification." Yet the "three exchanges" across the strait are irresistible after all.

The source went on: Recently, both Zhu Rongji and Li Lanqing pledged more explicitly to strengthen cross-strait trade and economic cooperation and to ensure the interests of Taiwan investors. These messages have been conveyed to the provincial CPC committees, the Taiwan Affairs Office, the Public Security Department, the Foreign Investment Office, the State Commission for Restructuring the Economy, the United Front Work Department, and the Propaganda Department.

Li Lanqing's Theory of Suffering for Reunification

Zhu Rongji said: "In the 10 years from now to the early 21st century, settling the issue of national reunification will be one of our major tasks." For this reason, the central authorities have decided:

1. Guangdong, Fujian, Hainan, Zhejiang, and Jiangsu Provinces and Shanghai Municipality will be defined as key areas for Taiwan-related work.
2. It is essential to protect and ensure the rights and interest of Taiwan investors on the mainland, increase people-to-people and semi-official exchanges between these areas and Taiwan, and enlarge the scope of exchanges so that Taiwan compatriots will be able to comprehensively understand the political, economic, and social situations in China.
3. We should do a good job in reception services for Taiwan compatriots and should conscientiously resolve their problems left over by history.
4. It is necessary to receive and arrange for retired veteran officials from Taiwan's Kuomintang, government, and military and

their family members to pay a visit, see their relatives, or conduct exchanges.

Li Lanqing said: "For many years, we have had a growing trade deficit with Taiwan and have suffered definite economic losses in our cooperation with Taiwan-funded enterprises. This situation will continue, with the goal of protecting the interests of Taiwan investors and building up their confidence in long-term investment in the mainland. This policy decision was made out of consideration for the overall interest of the country and the overall situation of the Chinese nation. Failing to understand this, some of our leading cadres are not willing to suffer longstanding losses and want to do their own work. Our cadres should understand that China's trade and economic policy toward Taiwan is different from that toward the United States, Japan, and other countries as well as Hong Kong and Macao. Our approach will, in the final analysis, help promote a peaceful reunification between the two sides."

The Beijing expert indicated: The CPC originally hoped that in his inauguration address, Li Teng-hui would at least mention "one China" and propose specific measures to promote cross-strait exchanges. But to its surprise, neither the Taiwan authorities nor Li Teng-hui mentioned it. Under this situation, Beijing has to adopt the strategy of "continuing to suspend political meetings and launching trade and economic offensive" in the hope that economic interaction will promote a political one. The key to this goal, however, lies in attracting those Taiwan investors who support reunification and can politically influence the Taiwan authorities to invest and develop in the mainland so that Taiwan's economy will use the mainland as a basis for its continued growth. But this work cannot be accomplished in a single step.

Taiwan: APEC Members Urged To Support Taipei's WTO Bid

OWI607102596 (Internet) Taiwan Central News Agency WWW in English 0848 GMT 16 Jul 96

[By T. L. Li and Sofia Wu]

[FBIS Transcribed Text] Christchurch, New Zealand, July 16 (CNA) — A senior ROC [Republic of China] official Tuesday urged all members of the Asia-Pacific Economic Cooperation (APEC) forum to support Taiwan's bid to join the World Trade Organization (WTO).

Addressing an APEC trade ministers meeting, Yang Shih-chien, a minister without portfolio, said Taiwan has largely opened its market in line with the Uruguay Round of global trade accords struck in 1994.

"We have also revised our trade regime in accordance with the Uruguay Round accords in preparation for our WTO entry," Yang said. "We hope all APEC members will support our WTO bid so that we can contribute more to world trade."

As for unfinished talks in areas such as banking, maritime trade and telecommunications, Yang said Taiwan has taken steps to liberalize its service markets as part of its ambitious bid to become an Asia-Pacific business hub.

"We hope individual WTO members can give up their own prejudices and forge a final agreement on service market opening as soon as possible," Yang said, adding that Taiwan will actively take part in negotiations in this regard once it is admitted to the world trade regulatory body.

Yang said he has taken advantage of the current APEC meeting to hold bilateral trade consultations with Mexico, New Zealand, Australia, Thailand and Hong Kong and solicit their support for Taiwan's WTO bid.

Yang said Taiwan plans to hold similar bilateral trade talks with the United States, Chile and Japan later this year.

Taiwan is now a WTO observer and hopes to become a full member in the near future.

Trade ministers from the 18 APEC members, including Taiwan and Mainland China, are meeting in Christchurch to forge their strategy for the WTO's first ministerial meeting to be held in Singapore in December.

The trade ministers are reviewing progress in implementing the Uruguay Round of global trade accords and their own free trade action plans, both struck in 1994, as well as examining "unfinished business" in areas such as maritime trade and telecommunications.

WTO Director-General Renato Ruggiero said at the opening ceremony of the APEC meeting on Monday that the dynamic economies of the Asia-Pacific should lead the world in axing trade barriers.

Ruggiero said faster progress on forging agreement to tear down trade barriers is vital to the success of the WTO's first ministerial meeting.

APEC groups Australia, Brunei, Canada, Chile, Mainland China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, South Korea, Taiwan, Thailand and the United States.

Taiwan: Central Bank Reports Second Largest Foreign Reserves

OW1507152296 (Internet) Taiwan Central News Agency WWW in English 1455 GMT 15 Jul 96

[By Maubo Chang]

[FBIS Transcribed Text] Taipei, July 15 (CNA) — Taiwan has the second largest foreign exchange holdings in the world, after Japan but still ahead of rival Mainland China, an official from the Central Bank of China (CBC) said on Monday.

Reports had said that by the end of June, Mainland China had overtaken Taiwan to hold the world's second highest exchange reserves at US\$86.6 billion.

That figure, however, includes foreign currency, special drawing rights, reserves with the International Monetary Fund, and gold, said Tuan Chin-sheng, director-general of the CBC's Foreign Exchange Department.

In terms of foreign currency, the mainland has reserves of only US\$84 billion, or US\$763 million less than Taiwan at the end of May, according to Tuan.

Besides, he said, by the end of 1995 Mainland China had run up a foreign debt of US\$106.6 billion.

According to statistics collected by the CBC, Japan leads the world with foreign reserves of US\$195.55 billion (through April), followed by the ROC at 84.7 billion (through May), Mainland China at US\$84 billion (through June), Germany at US\$78.56 billion (through April), and Singapore at US\$69.93 billion (through March).

Taiwan: Taipei To Strengthen Security Cooperation With ASEAN

OW1507090896 (Internet) Taiwan Central News Agency WWW in English 0807 GMT 15 Jul 96

[By Sofia Wu]

[FBIS Transcribed Text] Taipei, July 15 (CNA) — The Republic of China [ROC] will strive for closer security cooperation with all member states of the Association of Southeast Asian Nations to minimize the impact of Beijing's becoming a dialogue partner of the ASEAN Regional Forum (ARF), foreign ministry officials said Monday.

The third ARF annual conference is scheduled to open July 23. Mainland China will take part in the follow-up ARF dialogue partners meeting for the first time as a full dialogue partner. Beijing was previously a consultative or partial dialogue partner.

Diplomatic observers said it remains to be seen how Beijing's entry to the ARF as a dialogue partner would

influence Taiwan's relations with other Asia-Pacific countries.

ARF is currently the only international forum to discuss Asia-Pacific security affairs. Its formal members are the seven ASEAN states — the Philippines, Malaysia, Indonesia, Thailand, Singapore, Vietnam and Brunei. In addition to Mainland China, the forum has seven other dialogue partners — the United States, Canada Australia, New Zealand, Japan, South Korea and the European Union.

Taiwan, based on its willingness to play a more active role in regional security affairs, has sought to become an ARF dialogue or consultative partner over the past three years.

Although Taiwan has maintained close economic relations with ASEAN countries and is vital to Asia-Pacific security, it has been unable to realize its goal due to Beijing's boycott. All ASEAN states maintain formal diplomatic ties with Beijing and would not offend it.

With Beijing becoming a full dialogue partner, diplomatic observers said Taiwan's ARF dialogue partnership bid may become a "mission impossible."

However, foreign ministry officials said they remain optimistic and will continue their push for Taiwan's rightful place in the Asia-Pacific security system.

In the first place, the officials said, the ROC will strengthen bilateral security cooperation with each ASEAN member.

Some Taiwan scholars now can attend meetings of the Council for Security Cooperation in the Asia-Pacific (CSCAP) as individual observers. The council acts as ARF's think tank.

To ASEAN countries, diplomatic observers said, the acceptance of Beijing as an ARF dialogue partner will enable them to express their concern over Beijing's military activities and push Mainland China to make its military buildup more transparent.

Taiwan: Ulaanbaatar-Taipei Ties To Remain Unchanged

OW1507135696 (Internet) Taiwan Central News Agency WWW in English 1316 GMT 15 Jul 96

[By Yen Ling-ju and Benjamin Yeh]

[FBIS Transcribed Text] Taipei, July 15 (CNA) — A Mongolian Foreign Ministry official said on Monday that the non-official ties between Taiwan and Mongolia will not be affected whether Taipei recognizes Mongolia as a sovereign state or not.

17 July 1996

TAIWAN

93

"The present bilateral ties would not be affected in either a positive or a negative way," N. Tulga, chief of the China Desk Office of Mongolia's Ministry for External Affairs, said in a telephone interview with CNA.

Tulga also reiterated his government's support of Beijing's "one China" policy. Ulaanbaatar has diplomatic ties with Beijing.

Mongolia became independent in 1921, Tulga said, referring to his country's official ties with more than 120 countries in the world and membership in the United Nations.

Kuomintang National Assemblyman Wu Kuo-chung put forth a proposal in a meeting last Friday asking the NA, the only body legally entitled to decide on the country's territory, to recognize Mongolia, formerly part of China, as an independent state.

The ROC Government continues to make a sovereignty claim over the whole of China, but has admitted that its rule for now is confined to Taiwan, Penghu, Kinmen, Matsu, and some offshore islands.

Although Mongolia's general public knows little about Taiwan, Tulga said, there is a non-official organization in his country committed to promoting ties with other Asia-Pacific countries.

Through the organization, Taiwan has donated rice and books to Mongolia, and some Mongolian businessmen have taken training programs in Taiwan, Tulga pointed out. He expressed the hope that Taiwan will provide more aid to Mongolia.

According to statistics compiled by Wu Jung-yuan, director of the Mongolian Affairs Department under the Mongolian & Tibetan Affairs Commission, the ROC in four shipments has donated a total of 10,000 tons of rice to Mongolia.

Also, the commission's chairman, Li Hou-kao, agreed to provide Mongolia with 6,000 metric tons of rice when he assumed his post in December 1994, Wu added.

The commission, along with Veterans General Hospital, also has plans to offer medicine aid to Mongolia. But Wu denied a Japanese newspaper report that Taiwan is mulling assisting Mongolia in setting up a special economic zone.

Taiwan: Chief of Staff Views Military Streamlining
OW1707060996 Taipei CHUNG-YANG JIH-PAO
in Chinese 11 Jul 96 p 4

[FBIS Translated Text] The 1996 self-strengthening meeting of the armed forces came to a successful end yesterday. Luo Pen-li, chief of the General Staff, urged the armed forces to improve troop discipline,

training, and combat readiness; actively acquire general knowledge and skills essential for commanding joint operations in modern warfare; and closely combine joint operations with second-generation combat forces so as to serve as a truly unified fighting force and advance toward the goal of military modernization.

Led by Lo Pen-li, chief of the General Staff, the senior military officers attending the meeting specifically sent a cable to President Li Teng-hui to pay their respects, indicate their understanding of the weighty responsibility that the armed forces shoulder, and signal their intention to heighten their vigilance and spur themselves to work hard to accomplish the great cause of national unification and usher in a bright future.

The cable pointed out: The past year was full of challenges and hopes for the Republic of China. While the Chinese Communists' missile tests and military exercises in the Taiwan Strait posed a serious challenge to our national security and military mission, the successful direct elections of the president and vice president represented a new future for our country and a new destiny for our people.

The cable stressed that President Li's correct guidance about "desisting from war without fearing it and preparing for war without seeking it," and his important instructions to the armed forces on coping with all possible scenarios were crucial in helping us avert a tragedy stemming from the eruption of war across the Taiwan Strait while upholding our national dignity and basic stand.

In the cable, all officers and men expressed their sincere wish to give their lives and shed their blood, pledged allegiance to President Li, and signaled their intention to absolutely follow his leadership and to closely rally around him in their efforts to accomplish the great cause of national unification and usher in a bright future for the country.

Aside from hearing special reports which reviewed and made plans for army building and combat readiness, the three-day, self-strengthening meeting also held panel discussions and handed out questionnaires in the hope of collecting the views of officers at all levels for use in working out concrete, feasible plans, and of forging a consensus on future policies regarding army building and combat readiness so as to enhance the armed forces' combat power.

During the three-day meeting, the joint chiefs of staff under the General Staff Department presented special reports in which they reviewed and made plans for various missions. The reports analyzed the current situation in the Asia-Pacific region and the military situation

across the Taiwan Strait; outlined plans regarding the military strength over the next 10 years; addressed military training, combat readiness, and cadre selection and training systems; and suggested ways to improve troop discipline at the grass-root levels, ideological work, security operations, arms procurement practices, and the procedures for compiling national defense budgets. All participants extensively exchanged views on the four topics of combat readiness, training, troop discipline, and plans regarding the military strength over the next 10 years.

Addressing practical issues involving the military structure and army building, Luo Pen-li, chief of the general staff, offered a seven-point explanation regarding the inevitability and necessity of military restructuring.

Speaking within the context of military organizations in democratic countries, Luo Pen-li pointed out: Judging by our country's current general situation, our defense budgets are not likely to increase. The armed forces must move toward streamlining and high efficiency, making military downsizing in the future inevitable.

On crucial factors in military streamlining such as manpower and financial resources, Luo Pen-li pointed out: The armed forces derive their manpower from male citizens of conscription age. According to the Interior Ministry's statistics on male citizens of conscription age over the next 10 years, the number of such male citizens is expected to fall substantially. In addition, the salaries of service members will likely increase 3 to 5 percent annually, and the maintenance and repair costs for our second-generation high-technology weaponry are also expected to increase. Without a doubt, military restructuring is inevitable. We should complete military restructuring before we run out of manpower and financial resources. Only by restructuring first can we maintain normal military operations.

Currently, the most controversial issue concerns the retention or dismantlement of the General Staff Department and the general headquarters of the various military branches, as well as the direction of military restructuring. Luo Pen-li pointed out: Each military branch is unique and essential. It is particularly important that we consider the consequences of rashly dismantling any of the general headquarters at this critical moment when our second-generation combat forces are being constituted. Therefore, military restructuring is not a matter of choosing one over another. It requires that we realistically review the functions of each headquarters and determine whether it is needed, and plan accordingly. Some should be merged, while others should be separated.

On the relationship between command authority and the military structure, Luo Pen-li stressed: Command authority is centralized and cannot be devolved. Accordingly, matters involving force consolidation, organizational structure, operational command, military tactics, and operational methods should all evolve in this direction. Luo Pen-li pointed out: If Taiwan goes to war, it may either send advance troops to do battle or directly enter into a decisive war. Hence, we must establish the principle of centralized command authority over joint operations. Other issues are just a matter of dividing missions, powers, and duties between the General Staff Department and the general headquarters of the various military branches.

On the division of missions, powers, and duties within the armed forces, Luo Pen-li said: In the future, the organizational system of the armed forces should be based on functionality and demand, rather than for reasons of comparison or symmetry. Only through the elimination of symmetric organization can we reverse the top-heavy structure of high-level military departments.

In closing, Luo Pen-li pointed out: Restructuring should be consistent with our defense mission. Moreover, restructuring should be carried out in parallel with streamlining. The current mission of the armed forces is to "defend tenaciously." In other words, the organizational structure should accommodate the needs of defensive operations and point the way for future restructuring. Streamlining and restructuring should be carried out in parallel. In dismantling or merging departments, we should consider the basic rights and interests of individuals so as to minimize the harm inflicted on them.

Taiwan: Navy To Build Advanced Mine-Sweepers

OW1307121696 (Internet) Taiwan Central News Agency WWW in English 0914 GMT 13 Jul 96

[FBIS Transcribed Text] Taipei, July 13 (CNA) — The Navy is planning to build a number of advanced mine-sweeping vessels, according to informed naval source.

The new vessels will be equipped with advanced monitors capable of searching for underwater mines automatically, the sources said.

The vessels will be 49.9 meters in length and 9.4 meters in width, with a displacement of 558 tons.

The exact number of new vessels the Navy plans to build is unknown.

The Navy currently owns PB-3 mine-sweepers, one of the most advanced types in the world.

Hong Kong

Hong Kong: Civil Servants' Confidence Unaffected by Leung Resignation

**HK1107051396 Hong Kong WEN WEI PO in Chinese
11 Jul 96 p all**

[Dispatch from Beijing by Staff Reporter Li Hsiao-ping (2621 4562 0393) on 10 July: "Lu Ping Says That Laurence Leung Ming-yin's Resignation Will not Affect Civil Servants' Confidence"]

[PTS Translated Text for FBIS] Beijing, 10 Jul (WEN WEI PO) — Lu Ping, director of the Hong Kong and Macao Affairs Office under the State Council, stated here today: Without giving a prior notice, the British Hong Kong authorities suddenly announced early retirement of former immigration director Laurence Leung Ming-yin. This was abnormal. I hope they will give a clear explanation to the question, and the public should know the reason too."

Lu Ping thought that Leung Ming-yin would not have resigned out of a lack of confidence in Hong Kong's future, or reluctance to serve the Special Administrative Region [SAR] government. Therefore, he believed that Leung's resignation would not affect the confidence of civil servants and the work of the Immigration Department in handling the SAR passports.

Today, Lu Ping made the above-mentioned remarks after receiving a visiting delegation from Hong Kong. He said: The Chinese side did not know the reason related to Leung Ming-yin early retirement, and the Hong Kong government never notified us that Leung would apply for early retirement. Leung Ming-yin himself has never expressed his retirement plans to any one of us either. So for us, it is very sudden. He believed that the British Hong Kong government owed the Chinese side and the public a full explanation.

Lu Ping stated: Leung Ming-yin would not have retired out of a lack of confidence in Hong Kong's future, or his reluctance to continue to serve the SAR government after 1997. If he retired because of the above-mentioned reasons, the case would have absolutely been handled according to normal procedures. He could submit his application and hand over his work after the approval by the Hong Kong government. Since the retirement has been approved, there should be a process to hand over his work. He should explain many of his tasks. Matters regarding his successor should also be explained. There was not such a process. He just hastily packed up his things and left within a few hours. It is an unusual situation. We do not know whether there is anything suspicious in it. We hope that the British Hong Kong government will explain it clearly.

However, Lu Ping believed that Leung Ming-yin's retirement would not affect the confidence of civil servants, because this was a special case. Leung would not have resigned out of a lack of confidence in Hong Kong's future. This point is certain.

In the meantime, he also hoped that the matter would not affect Sino-British consultations on the work of issuing the SAR passports.

Hong Kong: Legal Panel's 4th Session on Hong Kong Residents Identity

**OW1507172896 Beijing XINHUA in English
1652 GMT 15 Jul 96**

[FBIS Transcribed Text] Beijing, July 15 (XINHUA) — The fourth session of the Legal Panel of the Preparatory Committee of the Hong Kong Special Administrative Region (SAR) was held, July 14 and 15 in Beijing to discuss the identity of permanent Hong Kong residents.

Panel members decided that this should accord with the Nationality Law of the People's Republic of China, the explanation of the implementation of the Nationality Law in Hong Kong made by the National People's Congress, and relevant stipulations of the Basic Law.

For Hong Kong's smooth transition, stability, and prosperity, the rights of those who have the right of abode in Hong Kong before June 30, 1997 and will continue to stay there will be maintained and not be affected by the transfer of power and the change of law.

In order to maintain normal order in entry and exit of the Hong Kong SAR, the existing laws and stipulations of Hong Kong Customs should remain unchanged, except for those contravening the Basic Law, members said.

Panel's views relating to permanent Hong Kong residents and the right of abode will be submitted to the Preparatory Committee's fourth plenary session, this August.

Hong Kong: Authority To Interpret, Amend Basic Law Detailed

**OW0907015696 Beijing XINHUA Domestic Service
in Chinese 0312 GMT 5 Jul 96**

[Questions and Answers on Hong Kong Basic Law: "Who Has the Authority To Interpret and Amend the Hong Kong Basic Law?"]

[FBIS Translated Text] Beijing, 5 Jul (XINHUA) — Who has the authority to interpret and amend the Hong Kong Basic Law?

The Basic Law of the Hong Kong Special Administrative Region [HKSAR] was formulated and adopted by

the National People's Congress [NPC]. It is a national law and not a local regulation.

The NPC Standing Committee has the authority to interpret the Hong Kong Basic Law. The NPC Standing Committee shall authorize HKSAR courts, while trying cases, to interpret of their own accord Hong Kong Basic Law provisions governing areas under the HKSAR's autonomous jurisdiction and to interpret other Hong Kong Basic Law provisions. However, if HKSAR courts, while trying cases, need to interpret Hong Kong Basic Law provisions concerning affairs that are the responsibility of the central people's government, or concerning the relationship between the central authorities and the HKSAR, and if such interpretation will affect the rulings on the cases, HKSAR courts shall, before making final judgments that are not appealable, seek an interpretation of the relevant provisions from the NPC Standing Committee through the HKSAR Court of Final Appeal. When the NPC Standing Committee makes an interpretation of relevant provisions, HKSAR courts, in applying those provisions, shall follow the NPC Standing Committee's interpretation. However, judgments previously rendered shall not be affected. The NPC Standing Committee shall consult its Committee for the Basic Law of the HKSAR before giving an interpretation of the Hong Kong Basic Law.

The NPC has the authority to amend the Hong Kong Basic Law. The NPC Standing Committee, State Council, and HKSAR shall have the right to propose bills to amend the Hong Kong Basic Law. HKSAR amendment bills shall be submitted to the NPC by an HKSAR delegation to the NPC after obtaining the consent of two-thirds of the HKSAR deputies to the NPC, two-thirds of the HKSAR Legislative Council members, and the HKSAR chief executive. Before a bill that aims to amend the Hong Kong Basic Law is put on the NPC agenda, the Committee for the Basic Law of the HKSAR shall study it and submit its views.

No amendment to the Hong Kong Basic Law shall contravene the PRC-established basic policies toward Hong Kong. Obviously, there are very strict and prudent procedures before the Hong Kong Basic Law can be amended. They aim precisely to safeguard the Hong Kong Basic Law's authority and stability in an effort to provide a reliable legal guarantee for implementing the policy of "one country, two systems."

(Today we have completed publishing all the questions and answers on the Hong Kong Basic Law.)

Hong Kong: Editorial on Lack of Confidence in Lo's Judgment

HK1607065896 Hong Kong SOUTH CHINA MORNING POST in English 16 Jul 96 p 16

[Editorial: "Confidence Trick"]

[PTS Transcribed Text for FBIS] Lo Tak-shing's warning that emigrants might forfeit their permanent resident status even if they returned to the territory before July 1 -next year has been contradicted by Preparatory Committee deputy secretary-general Shiu Shin-por. It has also been retracted by Mr Lo himself. It is encouraging that the local convenor of the Preparatory Committee's legal sub-group has been prevailed upon to backtrack so quickly. But considerable damage has already been done.

It is unfortunate that a man in Mr Lo's position allowed the media to come away with the impression he was representing the consensus view of the subgroup. The future careers and emigration plans of thousands depend on its decisions. Their confidence is vital to Hong Kong's stability and prosperity.

Mr Lo's actions inspire little confidence in his judgment. Despite the denials, lingering doubts will remain in returning migrants' minds as to what the Preparatory Committee will do when called on to endorse the subgroup's recommendations. They will understandably question whether Mr Lo's views have had their last airing. They might also wonder how the views of the post-handover Executive Council might be reported in public were he to be elected Chief Executive.

Mr Lo's every word nowadays is scrutinised for its significance. He is not, so far, an important political figure in his own right. He is merely a candidate for a job. But there are no predecessors against whose record the likely performance of the future Chief Executive can be judged. We simply do not know how powerful the Chief Executive will be. We do not know, despite the Basic Law's assurances on autonomy, whether he or she will make policy alone or act as a conduit for decisions from Beijing. We do not know if he or she will lead or follow thinking in the Chinese capital. And we do not know, at this stage, whether candidates for the post speak for anyone but themselves when they make policy statements or whether their target audience is in Hong Kong or in China.

This territory faces enough uncertainties as it tries to come to grips with the change of sovereignty, without having to deal with additional complications foisted on it by the would-be leaders of the new order. Nor will confidence and stability be improved if returned

emigrants are made to feel they will be penalised for declaring their foreign nationality.

After the handover, different attitudes may prevail. But, at present, dual nationality is not only accepted legally and ethically, it is cherished and admired. Those who return before June 30, 1997, and wish to declare their new nationality while reclaiming their right to permanent residency should not be made to feel less patriotic and respectable than those who hide their true status from the authorities. The Preparatory Committee would be well advised to stick with its current position that those who return before the handover will not lose their status as permanent residents.

Hong Kong: Further on History of Sino-British Talks on Hong Kong

**HK1107042896 Beijing CHINA DAILY in English
11 Jul 96 p 4**

[By Bian Chaoling: "A History of Talks on the HK Issue"]

[PTS Transcribed Text for FBIS] In 1972, Britain established diplomatic ties with China, offering an opportunity to settle the Hong Kong issue through peaceful means.

With the approach of 1997, the term of the New Territories' lease was to expire soon.

The future of Hong Kong started arousing world attention in the 1970s. To sound China out about its attitude toward the settlement of the issue, Britain decided to send officials to Beijing.

In March of 1979, the Hong Kong governor visited Beijing.

While meeting with him, Chinese leader Deng Xiaoping said that China treated Hong Kong as a special case. No matter how the issue was to be solved in 1997, Hong Kong's special status could be guaranteed.

In other words, Hong Kong could continue to retain capitalism until a long time in the next century, Deng said.

In January of 1982, Chinese Premier Zhao Ziyang told a visiting British deputy foreign secretary about China's proposal for the settlement of the Hong Kong issue: China and Britain will discuss the issue in the near future. Before proper arrangements were made, no side was to do anything harmful to Hong Kong's economic prosperity.

Zhao's remarks resulted in a quick response from the British side. In September of 1982, British Prime

Minister Margaret Thatcher arrived in Beijing for talks with Deng.

Before meeting Deng on September 24, 1982, Thatcher talked with Zhao. Zhao formally announced that the Chinese Government would resume its exercise of sovereignty over the whole Hong Kong region in 1997.

Zhao also told Thatcher about China's special policies after 1997, including the establishment of a Hong Kong Special Administrative Region, the rule of Hong Kong by local people and the maintaining of Hong Kong's existing social and economic systems and lifestyle.

But Thatcher insisted that the three unequal treaties forced upon China's Qing Government by Britain in the last century were still effective.

She said that Britain could consider China's demand for sovereignty over Hong Kong if it allowed Britain to continue to rule after 1997.

Deng said that the issue of sovereignty was not negotiable and that China would reclaim the whole Hong Kong region including the island of Hong Kong, the Kowloon Peninsula and the New Territories in 1997.

Deng said that if China did not exercise sovereignty over the whole Hong Kong region in 1997, the Chinese Government was no different than the weak and corrupt Qing Government.

Despite the dispute, both sides reached the consensus that they would discuss the Hong Kong issue through diplomatic means.

When talking with Thatcher in September of 1982, Deng proposed the "one country, two systems" formula. The 12 fundamental policies in the Sino-British negotiations were based on the formula.

Deng said that the formula was not the result of carefree imagination. It was in line with China's reform and opening policies and China's goal of catching up with advanced countries.

To interpret the formula, Deng said with a touch of humour that Hong Kong's social and economic systems and lifestyle would not change for 50 years after 1997, and that people in Hong Kong could still bet on horses, play stocks and go dancing.

Half a year after Deng's meeting with Thatcher, no progress was made in the talks because the British side did not change its stance.

To change the situation, the Chinese side decided to take its own action.

In June of 1983, the Hong Kong press revealed that when the First Session of the Sixth Chinese People's Political

Consultative Conference (CPPCC) was held in Beijing. Deng Xiaoping met with CPPCC members from Hong Kong and Macao.

He said that if no agreement was made on the Hong Kong issue in September of 1984, the Chinese Government would announce its own programme for solving the issue, Hong Kong press reported.

To the British Government, the reports were like an ultimatum. At a meeting of the British Parliament, the Queen had to say that the British Government would continue to negotiate with China on Hong Kong's future and work out a programme acceptable to the British Parliament, and Chinese and Hong Kong residents.

However, the second phase of talks which began on July 12, 1983, did not make substantive progress at first because the British Government still clung to the proposal of "sovereignty for right to rule."

As the prospect of the Sino-British negotiations looked dim Hong Kong's situation became unstable.

To avoid the serious financial and political turmoil in Hong Kong, Thatcher agreed in principle to China's 12 fundamental policies in October of 1983. This helped the negotiations proceed on the right track.

On April 15, 1984, British Foreign Secretary Geoffrey Howe visited Beijing. Five days later, he said in Hong Kong that it was unrealistic to reach an agreement to let Britain continue its rule of Hong Kong after 1997.

Britain's current principle was to discuss with China how to ensure that Hong Kong had a high degree of autonomy after China resumed its exercise of sovereignty, and that Hong Kong's lifestyle and the nature of its existing system would remain unchanged after 1997, he said.

After more than one year of negotiations, the British side had finally become realistic and based its negotiations on the formula of "one country, two systems."

As both sides reached the consensus, negotiations proceeded smoothly.

In September 1984, China and Britain ended their 22nd round of talks in the second phase which lasted more than one year.

On December 19, 1984, the Chinese and British governments in Beijing signed the Joint Declaration on the Question of Hong Kong, affirming that the Government of the People's Republic of China would resume sovereignty effective July 1, 1997.

On May 27, 1985, the formal exchange of notes on the Joint Declaration on the Question of Hong Kong

became effective. And Hong Kong entered its 12-year-long transitional period.

Hong Kong: Commander of Post-Turnover Army Unit To Visit Hong Kong

OW1507171696 Beijing XINHUA in English 1642 GMT 15 Jul 96

[FBIS Transcribed Text] Shenzhen, July 15 (XINHUA) — Major General Liu Zhenwu, commander of the Military Forces of the Chinese People's Liberation Army to be stationed in the Hong Kong Special Administrative Region, will begin a two-day visit to Hong Kong tomorrow at the invitation of Major-General Bryan Dutton, commander of the British Garrison.

Liu's visit is a return to Dutton's in Shenzhen in May this year.

During the visit, the two sides will hold talks on issues concerning the transfer of Hong Kong's defense affairs.

Hong Kong: Future PLA Garrison Chief Makes First Visit to Territory

HK1707075196 Hong Kong SOUTH CHINA MORNING POST in English 17 Jul 96 p 1

[By Emma Batha]

[PTS Transcribed Text for FBIS] People's Liberation Army [PLA] uniforms were seen on the streets of Hong Kong yesterday as future garrison chief Major-General Li Zhenwu toured the military base he is to inherit.

Colonel Howard Bentley-Marchant, who showed General Liu around, described him as "a very experienced, sensible and pleasant gentleman" with a good sense of humour.

He said General Liu was "very enthusiastic" about his first trip to Hong Kong and was looking forward to taking over the reins from the British Garrison.

General Liu, 52, was accompanied by four PLA officers, an interpreter and a handful of advisers understood to include Joint Liaison Group members.

The symbolic visit follows a trip by the Commander British Forces, Major-General Bryan Dutton, to the PLA's Shenzhen garrison in May.

In his first words to the territory, General Liu said: "Hong Kong is a beautiful place. It's a centre for trade, finance and shipping.

"It's the Pearl of the Orient. I'm very happy to be here and I'd like to say hello to the people of Hong Kong. I'm very impressed. I have got a lot from this trip."

17 July 1996

HONG KONG & MACAO

99

But the PLA chief, speaking outside the Purama Kempinski Hotel where he is staying, would not comment further on his three-day tour.

General Liu was met at the border and whisked into town by helicopter to meet General Dutton at the spruced-up Prince of Wales Barracks.

He greeted General Dutton in English before inspecting a guard of honour to the sounds of a ceremonial bagpipe band.

After talks, the PLA leader caught a glimpse of what may be his future home when he lunched at General Dutton's luxurious Peak residence.

Headquarter House is one of 14 British army sites to be handed over to the PLA, but the general has not yet said whether he intends to live there.

Two army helicopters flew the visiting Chinese delegation over future PLA bases including the Sek Kong site and Stonecutters Island. Colonel Bentley-Marchant said: "We gave him as much of a tourist trip as we could. He was very interested and seemed to enjoy it very much."

Hong Kong: Editorial on Significance of PLA General's Visit

HK1707075696 Hong Kong HONGKONG STANDARD in English 17 Jul 96 p 12

[Editorial: "PLA Must Ensure Our Bright Future"]

[PTS Transcribed Text for FBIS] The skirl of bagpipes. The spit and polish of a military parade. Glimpses of People's Liberation Army (PLA) uniforms on the streets of Hong Kong. The symbolism of a Chinese general entering the British military headquarters at the Prince of Wales Barracks.

These were some of the elements that combined yesterday to remind us that our date with destiny is less than a year away.

No one needed to explain that Major-General Liu Zhenwu and his team are on a familiarisation visit in preparation for the day when the PLA will take over a number of military sites here. Nor did anyone need to explain that General Liu is the head of China's future garrison in Hong Kong.

The sun may be setting on the British Empire, but General Liu's visit is a reminder that another sunrise will bring another day, another era.

General Liu's host, Commander of British Forces Major-General Bryan Dutton, was not exaggerating when he described the visit as "very significant indeed".

He added: "It represents part of this developing liaison which we have been aiming at for the last two years.

One of our objectives has been to establish a constructive professional liaison with the forces on the other side of the border. We are now achieving that."

Acting Secretary for Security Carrie Yau Ka-lai has admitted that members of the public are concerned about a variety of issues regarding the PLA Garrison.

In a bid to allay these fears, China has promised that PLA soldiers will be confined to barracks. These disciplined and well-educated troops will only be allowed out in groups and under escort.

It is true that China's military is as much an arm of the Communist Party as it is an arm of the state. But there are indications that ultimately, the PLA will be professionalised and managed on modern lines.

In the meantime, Gen Dutton is participating in what he termed "a lot of other good work behind the scenes", including defence investigation visits and other visits within the framework of the Joint Liaison Group.

Gen Dutton's own role here will soon become history. Let's hope that his successors will operate within their mandate, strive to understand Hong Kong people's aspirations and take into account public opinion in policy formulation.

Hong Kong: Future PLA Garrison To Have Media 'Ban List'

HK1707075396 Hong Kong HONGKONG STANDARD in English 17 Jul 96 p 3

[By Cary Huang]

[PTS Transcribed Text for FBIS] People's Liberation Army [PLA] soldiers stationed in Hong Kong will be restrained from reading local newspapers—in case they are influenced by anti-China reports.

And they will not be allowed to buy Mark Six, bet on horses, visit nightclubs, go out alone, seek moonlight jobs or engage in any commercial activity, sources said.

Senior PLA officers working on internal guidelines for the territory's garrison, said reducing the amount of anti-Beijing media reaching officers and soldiers was their biggest headache.

Chinese sources close to the PLA garrison said selective bans on some publications have been deemed necessary.

The guidelines do not specify which publications, periodicals or newspapers will be on the ban list, but sources said China-watch magazines blacklisted as anti-Beijing would definitely be banned.

Army unit commissars will have the final say on which magazines and newspapers are banned in the local barracks, sources said.

The guidelines are almost ready to be presented to the PLA's Central Military Commission for approval.

The impending arrival of Chinese troops has caused some consternation in Hong Kong despite Beijing's assurances that troops will be confined to barracks.

Senior Chinese officials and PLA generals have pledged that soldiers to be stationed here will be disciplined, well-educated and well-behaved.

Hong Kong: Statistics Show Trade With China Fell by 27.5 Percent

HK1507091296 Hong Kong SOUTH CHINA SUNDAY MORNING POST (MONEY) in English 14 Jul 96 p 1

[By David Ibison]

[PTS Transcribed Text for FBIS] Hong Kong's trade with China during the first quarter of the year has been ravaged by plunging mainland exports which reduced total trade by nearly a third compared with last year, according to the latest statistics.

Figures compiled by the General Administration of Customs reveal Hong Kong's trade volume with China fell 27.5 per cent to US\$7.6 billion in the first three months of the year compared to 1995.

The territory's imports from China suffered a more marked decline, falling 33 per cent to \$9.9 billion, reinforcing the severity of the slide.

The huge decline has been one of many factors which have been slowing Hong Kong's economic growth, forecast by the Government to hit 5 per cent this year, although many economists have suggested 4 per cent is more realistic.

Economists said the sharp fall in trade was attributable to a severe decline in mainland exports. Hong Kong has a pivotal position as a trans-shipment centre for Chinese goods being exported to the United States and Europe.

According to Standard Chartered Bank, China's merchandise exports rose by 32 per cent in 1994 and 23 per cent in 1995, but started to decline drastically at the beginning of last year when the authorities reduced tax incentives on exports. Rising costs stemming from an overheating economy also affected exports, the bank argued.

It is forecast mainland export growth could slow to just 5 per cent this year, shaving 1.5 per cent off nationwide growth in gross domestic product and cutting urban employment demand by up to 2.5 million jobs.

There is little sign of an improvement with mainland exports falling 8.2 per cent to \$64 billion for the year to June, the official media has reported.

Japan's trade with China increased 14 per cent to \$12.4 billion while South Korea's trade increased by 26.5 per cent to \$3.9 billion. Japan's imports rose 9.2 per cent to \$6 billion, the figures revealed.

The territory's trade rivals also turned in healthy export figures to China with Japan's exports up 19 per cent to \$6.3 billion, Taiwan's up 5.2 per cent to \$3.1 billion and Korea's increasing 45.6 per cent to \$2.5 billion.

Despite the disappointing figures for Hong Kong, the territory remained one of China's top three Asian trading partners alongside Japan and South Korea.

The figures also revealed Japan led the world in exports to China in the first quarter of the year with a 19 per cent rise to \$6.37 billion, while the US notched up a 24.3 per cent rise to \$3.5 billion and the European Union's exports increased by 22.5 percent to \$4.6 billion.

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